



**ANNUAL  
REPORT  
2015**

## CONTENTS

1	Speech of the Chief Executive Officer	4
2	Reference to the Key Indicators of the Bank	5
3	Retail Business	6
4	SME and Corporate Business	10
5	Agricultural Business	12
6	Marketing Activities	14
7	"ACBA Leasing" CJSC	17
8	Independent Auditor Report	20

## SPEECH OF THE CHIEF EXECUTIVE OFFICER

Dear customers and partners,

2015 was a year full of changes and challenges for the Bank, the withstanding and overcoming of which was mostly successful. Thanks to the efficient teamwork and well-regulated actions, we once more proved the role and importance of our Bank in the RA banking market.

In 2015, changes of strategic importance took place in the structure of the Bank, the three main business lines of banking activities formed as a result of these changes, that is, Retail, SME and corporate, and Agro, paved the way for the new quality stage of the Bank's development.

Thanks to the integrated work of our whole team in the reporting year, we were able to record a number of achievements, including, implementation of new products and services, meeting the trends of the banking market developments and preferences of our customers, expansion of the scope of the work with the companies cooperating with us, attraction of new partners, development of the structure of service infrastructure by expanding the network of branches, Cash-in terminals and POS-terminals.

We continued the activities in the framework of the Bank's corporate social responsibility, trying to have our unique participation in the directions, needing support, in particular, in the issues of development of the RA rural communities, nature conservation, maintenance of historical and cultural values, and youth issues.

In 2015, the Bank worked with its full force, guided by the values and principles of ideology of "national bank" and bringing to life new ideas.

We do believe that "EVERYTHING WILL BE ALRIGHT" and we do our best to prove the reality of that concept with work.

Hakob Andreasyan  
Chief Executive Officer





## REFERENCE TO THE KEY INDICATORS OF THE BANK

	2015	2014
<b>TOTAL INDICATORS (MM AMD)</b>		
Total assets	272,853	291,099
Total liabilities	219,141	236,806
Own capital	53,712	54,293
Profit before taxation	358	347
Loan portfolio	168,359	175,631
Deposit portfolio	107,606	99,585
<b>INFRASTRUCTURE</b>		
Branches	57	54
ATMs	203	207
Cash-in terminals	89	78
POS terminals	1,286	1,279
<b>OTHER DATA</b>		
Employees	1,230	1,142
Customers	292,799	293,140
<b>"ACBA Leasing" CJSC (MM AMD)</b>		
Total assets	12,659	14,826
Total liabilities	9,489	11,656
Own capital	3,170	3,169
Profit before taxation	73	209
Leasing portfolio	9,863	9,155

The resources of the main financial indicators presented in the current report are the audit reports for the finishing year of 2015 in December 31<sup>st</sup>, 2015.

## RETAIL BUSINESS

Nowadays, when information spreads rapidly, the preferences and needs of the customers also develop and change permanently. The provision of services is no longer limited by the criteria of "price-quality" correlation, but it is a rather dynamic process, which requires consistency and continuous development.

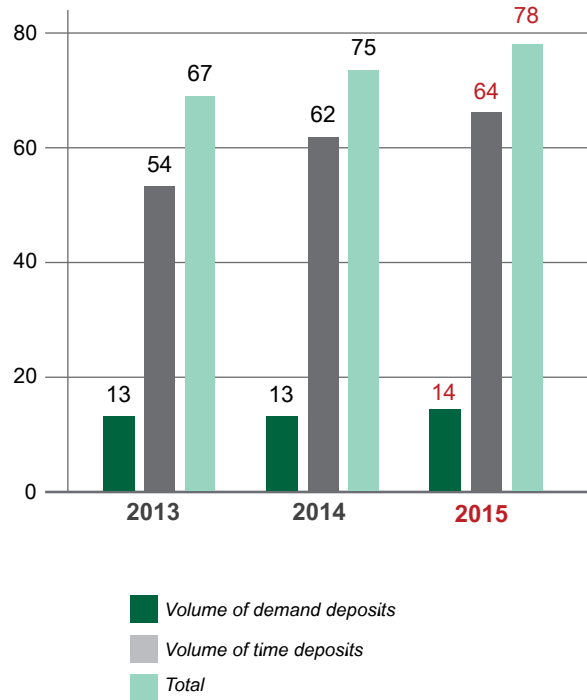
"As of the end of 2015, the number of the Bank's individual customers totaled to 283,650 persons"

Based on the studies of our customers' needs, consuming behavior and preferences, we try to offer each target group the products and services, containing the features, meeting their lifestyle and needs.

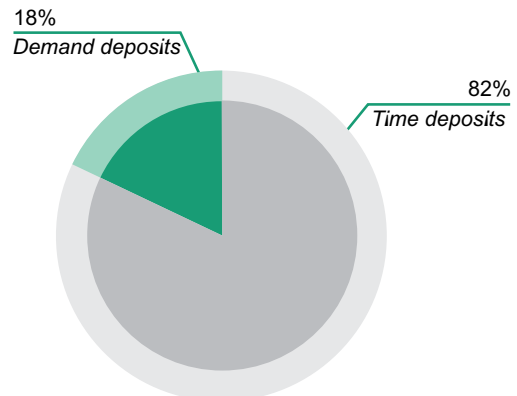
Thus, in 2015, a new approach was implemented for the development of retail business of the Bank. The results of the principal changes and improvements, performed during the year, will be more vivid at the end of 2016, and before that, we would like to refer to the indicators, recorded during 2015.

As of the end of 2015, the volume of individual customers' demand and time deposits, compared to the previous year, increased by 4%, totaling to around **78 BN AMD (161 MM USD)**. At the end of the year the volume of individuals' time deposits formed more than **64 BN AMD (132 MM USD)**, by increasing for around 3%, compared to the previous year, and the growth of demand deposits formed more than 11% and exceeded **14 BN AMD (29 MM USD)**. The shares of time and demand deposits in the structure of the Bank's portfolio of individuals' deposits formed correspondingly **82%** and **18%**.

**Dynamics of individual customers' deposit portfolio by years (BN AMD)**



**Structure of individuals' deposit portfolio in 2015**

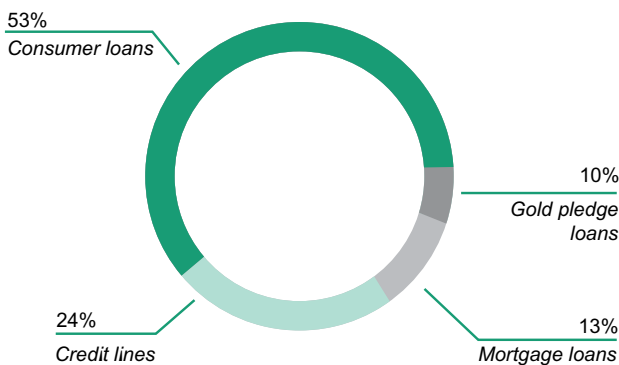




At the end of 2015, the volume of loans, provided by the Bank's retail business loan products totaled to **around 55 BN AMD (113 MM USD)**, which comprises **33%** of the Bank's loan portfolio. In the structure of the retail business loan portfolio, compared to the end of 2014, the volumes of credit lines and mortgage loans have increased by correspondingly **37%** and **8%**. Thus, in 2015 the volume of credit lines composed more than **13 BN AMD (27 MM USD)**, and those of the mortgage loans - around **7 BN AMD (14 MM USD)**.

In the reporting period, the volume of consumer loans decreased by **10%**, forming **53%** of the Bank's retail business credit portfolio.

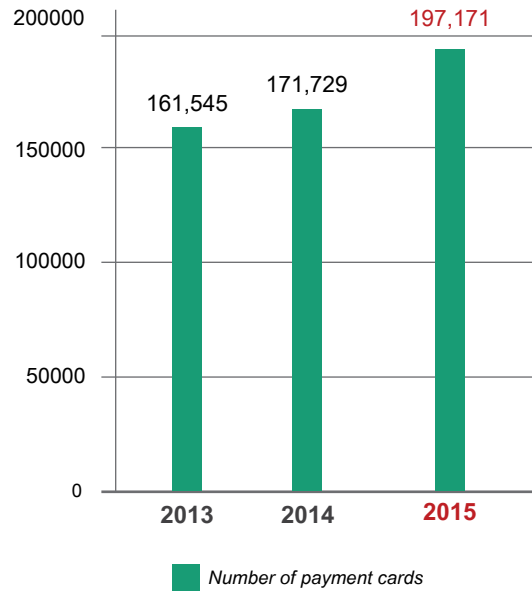
**Structure of individuals' loan portfolio in 2015**



**Card Business**

In the reporting year, the Bank continued its active policy in the sector of issuing and servicing local and international payment cards, making non-cash transactions more profitable, comfortable and secure for our cardholders. At the end of 2015, the volumes of the quantitative indicators of the card business, as well as transactions, performed with cards, grew. In the reporting year, the quantity of cards, provided to the customers, increased by about **15%** and totaled to **197 171**. The number of American Express cards increased by **48%** in the reporting year, which is more than the relevant indicator of 2014 by **22** percentage points.

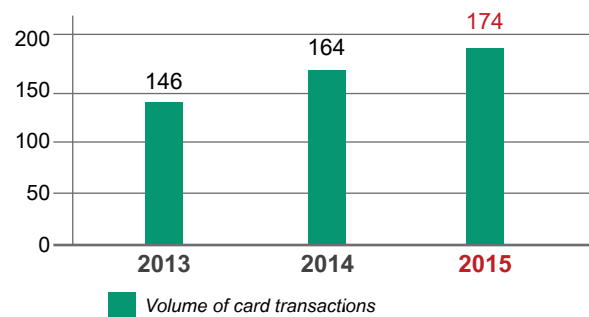
**Dynamics of payment cards by years**



"The specific weight of the number of the Bank's cards in the RA banking sector totaled to 11.4%, instead of 10.6% of the previous year"

The cardholders of our Bank ensure **12%** of the total volume of card transactions of the RA banking system, which forms around **174 BN AMD (359 MM USD)** and exceeds the indicator of the previous year by around **6%**.

**Dynamics of card transactions by years (BN AMD)**



As a result of the study of the customers' needs and demands, in 2015 a new card type of the local ArCa payment system - **ArCa Credit**, was issued. Besides, 2 new types of credit lines, provided with cards, were developed and implemented - **with reducible limit** and **non-revolving limit**, which give an opportunity to the cardholder for an additional selection and make it possible to more flexibly manage the loan amounts, provided by the Bank. The amounts, provided with the new credit lines, as of the end of the reporting year, formed about **15%** of the total portfolio of the Bank's card credit lines.

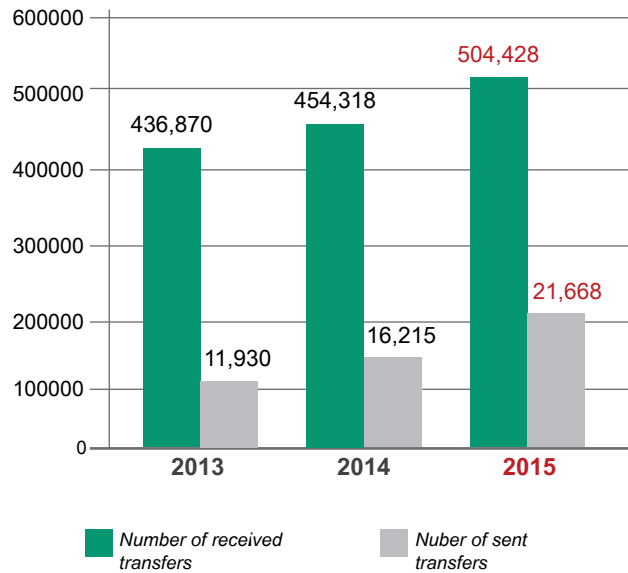
As a result of the development of the innovative technologies, the service technologies of the payment cards also develop rapidly. In 2015, ACBA-CREDIT AGRICOLE Bank undertook a difficult mission - to implement and develop the infrastructure of card service with **"contactless"** technology in the Armenian market. It gives an opportunity to the customers to be serviced more easily and quickly, with only one move of a hand. Within the framework of this project, 3 card types of Visa international payment system, issued by the Bank, were replenished with "contactless" technology and already at the end of the year the number of the Bank's **Visa payWave** cards exceeded **4000**. The network of card service, equipped with the modern technologies, is replenished and expanded day by day.

## Money Transfers

In the reporting year, the Bank continued its consistent works in the sector of development of express money transfers.

Compared with the previous year, the volume of transfers abroad, provided through the Bank via express transfer systems increased by about **1%**. On the contrary, the amount of inflow of performed transfers decreased by **21%**, mainly conditioned by the significant inflation of the Russian ruble, recorded during the year. However, in 2015, the Bank was able to strengthen its positions, increasing its share of received transfers in the market by **2** percentage points reaching **15%**. At the same time, the quantitative indicators of sent, as well as received transfers recorded growth - correspondingly **11%** and **34%**.

**Dynamics of sent and received transfers by years**



Each year, the share of transfers, received with ACBA Transfer cards also increases. This type of transfers receipt significantly reduces the need to visit the Bank to use the service. It renders it possible to deposit the amount, transferred from abroad, to the **ACBA Transfer** card account of the customer with one call, and withdraw it 24/7 from the nearest ATM with no commission fee. Besides, it is possible to accumulate interest income for the positive balance, available on the card. Thus, around **31%** of the transfers, received through the Bank in 2015, has been paid to the customer without visiting the Bank - non-cash. The relevant indicator of 2014 reached around **26%**.

"As of the end of 2015, the Bank had the membership of 8 out of 12 fast money transfer systems, operating on the RA territory: ANELIK, MoneyGram, RIA Money Transfer, Unistream, IntelExpress, Xpress Money, Converse Transfer, Sigue Money Transfer"



## SME AND CORPORATE BUSINESS

### Distance Services

Saving our customers' time and walking along the development of technologies, the Bank developed and implemented new instruments of provision of remote banking services - **"Phone Banking"** service and **"ACBA Mobile"** mobile application in September 2015.

Preserving all criteria of confidentiality and security **"Phone Banking"** service gave an opportunity to our customers to use a number of banking services with only one call without visiting the Bank, in particular, to make transfers between own accounts, and accounts of other customers of the Bank, register, replenish and terminate a deposit, open a current account, make money exchange, and other transactions.

Due to the implementation and multifunctioning of **"ACBA Mobile"** mobile application, we could meet the needs of the customers, using the modern technologies, at the same time ensuring their data security and safety. Now our customers have the opportunity to manage their accounts from their own mobile phones, without interrupting their daily activities. The application gives an opportunity to make the utility and online payments, make transfers, money exchanges and other transactions, as well as always have at hand the updated information on the nearest ATMs, branches of the Bank, on the exchange rates, valid at the moment, and other information.

### Other Services

Continuing to extend the list of services, provided by the Bank, and valuing the role of the partners, involved in their provision, during 2015, the number of companies, cooperating with the Bank, also increased.

In the sector of provision of insurance services, the Bank currently cooperates with two insurance companies **"INGO Armenia"** and **"Rosgosstrakh Armenia"**.

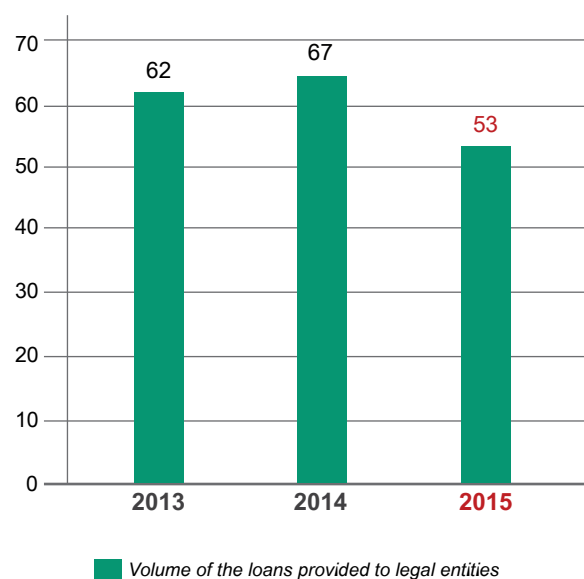
It gives an opportunity to the Bank's customers, as well all those, who want, to use the complex package of services, offered under the framework of cooperation - travel insurance, car liability insurance (CMTPL) and car liability voluntary insurance (voluntary MTPL).

The number of companies, cooperating with the Bank under the framework of **"Installment loan here and now"** service, was also replenished; several trade organizations in the sectors in demand by the customers were involved.

Valuing the importance of cooperation with small and medium entrepreneurs, as well as corporate customers, during 2015, in the sector of service of SME and corporate business, the Bank inherited qualitatively other approaches and principles, which significantly improved the terms of cooperation with the representatives of this sector. Practical and efficient steps were made not only to improve the quality of business customer service, but also to review the whole philosophy of cooperation between the Bank and the businesspersons in the frameworks of the customer-oriented policy.

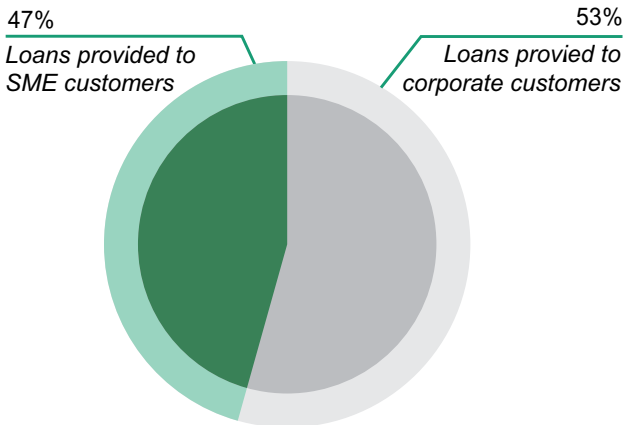
Guided by the mutually beneficial cooperation principles, during 2015, the bank performed determined steps, directed to "healing" of credit portfolio, as a result of which the decrease of credit portfolio of legal entities was inevitable by around **15%**. Thus, at the end of the year, the volume of loans, provided to legal entities, formed around **53 BN AMD (109 MM USD)**, where the loans to corporate customers compose **28 BN AMD (58 MM USD)**, and to SME customers - around **25 BN AMD (51 MM USD)**. The share of the loans of corporate and SME customers in the structure of the Bank's loan portfolio of legal entities comprise correspondingly **53%** and **47%**.

**Dynamics of legal entities' lending by years (BN AMD)**





**Structure of legal entities' loan portfolio in 2015**

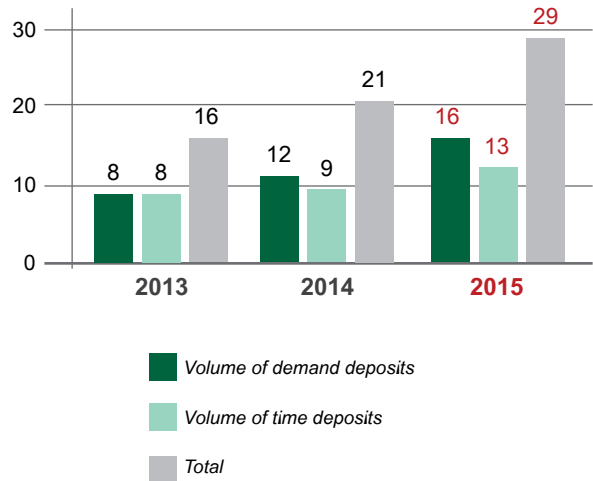


In the reporting year, the tendency of growth of the legal entities' deposit portfolio was maintained; compared with the previous year, the indicator increased by more than **38%**, exceeding **29 BN AMD (60 MM USD)**, which makes more than **12%** of deposit portfolio of the Bank's customers. The volume of the legal entities' demand deposits increased by about **36%** during 2015, reaching more than **16 BN AMD (33 MM USD)**. At the end of the year, the volume of time deposits formed around **13 BN AMD (26 MM USD)**, which compared to the previous year, increased by around **41%**. The rapid increase of the legal entities' deposit portfolio indicates the trust of our customers.

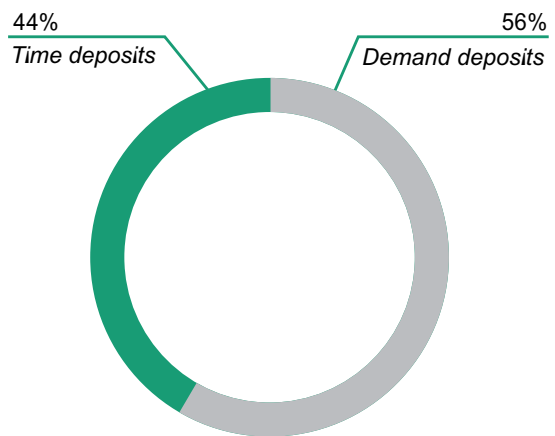
"Share of legal entities' demand deposits in the Bank's general portfolio of demand deposits forms 53%"

"Share of legal entities' time deposits in the Bank's general portfolio of time deposits forms 17%"

**Dynamics of the legal entities' deposit portfolio by years (BN AMD)**



**Structure of the legal entities' deposit portfolio in 2015**



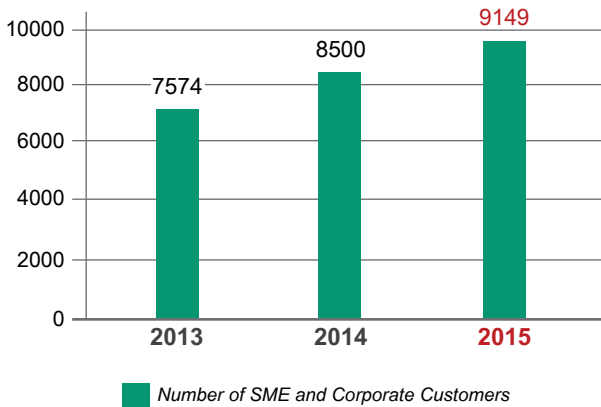
In 2015 the Bank continued developing the process of provision of the local and international trade financing tools. However, as a result of foreign exchange rate fluctuations the volume of the letters of credit and guarantees, provided by the Bank has decreased by **1.6%** and comprised around **4 BN AMD (7 BN USD)**. As a result of performed reformations, we could significantly strengthen the Bank's position in the market and register a quantitative growth of SME and corporate customers, which is mainly conditioned by the increase of the number of small and extra-small business-customers.



## AGRICULTURAL BUSINESS

"Number of SME and corporate customers, using our services, increased by around 8%"

**Dynamics SME and Corporate customers by years**



With the tendency to support the development of small and medium business in the RA, the Bank continues to offer its customers a wide package of banking services, including commercial loans, credit lines, trade finance instruments, etc. We show a personal approach to each customer and help to orient and find the best solution from the wide list of offered services.

Aiming at supporting the small and medium enterprises at every stage of their activities, our Bank was the first in Armenia, to start organizing regular business-trainings free of charge. This type of provision of non-financial services gives an opportunity to extend the scope of cooperation, established between the Bank and the SMEs. During the program, performed by the Bank, our experienced specialists present the participants various topics, which are directed at the provision of theoretical and practical knowledge for the optimal management of the business, as well as to the intended application of a number of marketing tools.

From the very first day of its establishment, during its activities, the Bank was guided by the policy, directed to the development of the RA agriculture, with the aim of supporting and contributing to the natural and stable progress of various sectors of agriculture.

"Number of agricultural customers, compared to the previous year, increased by 19%"

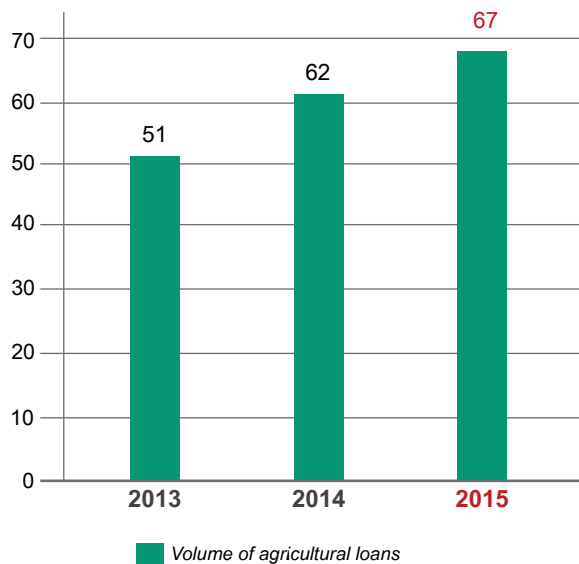
On the basis of the studies and analyses, permanently performed by the Bank, we try to develop new products, meeting the peculiarities of the sector, as well as review and improve the service terms and mechanisms of provision of available products, by making them more clear and accessible for our customers.

"The mechanisms of provision of agricultural loans have been simplified, as well as the annual interest rate of the loans, secured with gold, has been significantly reduced"

In 2015, the specific weight of agricultural loans in the structure of the Bank's total credit portfolio, as well as in the loans, provided to individuals, continues to be the largest, composing correspondingly **40%** and **55%**. Compared to 2014, agricultural credit portfolio, as of the end of 2015, increased by about **9%**, composing more than **67 BN AMD (139 MM USD)**. During the reporting year, the portfolio of agricultural credit lines increased significantly - by about **43%**.

## MARKETING ACTIVITIES

**Dynamics of the Bank's agricultural loan portfolio by years (BN AMD)**



"The Bank's share in the volume of lending of the RA agricultural sector comprises 53%"

One of our main objectives is to provide to the farmers such terms of lending, which will allow them to expand their businesses year after year, by developing the whole agricultural sector of Armenia. For this reason, the Bank works on attracting of new funds financing the agricultural sector, as well as continues the efficient cooperation with the RA government under in the framework of the program of "Subsidizing the interest rates of loans, provided to agricultural sector". More than **97%** of the amounts, provided by the government, which forms around **15 BN AMD (31 MM USD)**, were allocated by our Bank, which is the evidence of trust of agricultural entities.

"28% of portfolio of agricultural loans are subsidized loans"

The process of financing of the agricultural sector will be continued by the Bank also in the coming years, by creating new opportunities for the agricultural entities to expand the scope of their activities and have new achievements.

Productive steps were also taken in the sector of marketing activities. Guided by the marketing strategy, inherited by the Bank, during 2015, a large-scale study, directed to the examination of new tendencies of the banking market and population preferences, was performed. The results of the latter rendered it possible for us to apply more customer-oriented policy. Due to the detection of the needs and demands of the active and potential customers of the Bank, we had an opportunity to create not only a competitive, but also directed to the target audience of the relevant line of business, products and services.

Considering the customer opinion to be the most true and strictest assessment of the activities of the Bank, we permanently follow the international indexes, assessing the satisfaction (CSI<sup>1</sup>) and loyalty (NPS<sup>2</sup>) of the users of our services, which indicators are vivid signals for the development of strengths of the Bank and at the same time for the correction of shortcomings.

"In 2015, the international CSI index of customer satisfaction of the Bank's retail business customers formed 73.6%"

"In 2015, the NPS indicator of customer loyalty formed 46.7%"

As a result of the studies and detection of the main issues, worrying the main target group of the Bank, in September of the reporting year, a new project, with a social direction was launched with the slogan **"EVERYTHING WILL BE ALRIGHT"**. The first social TV commercial of the campaign was broadcasted, spread in social networks like a "virus", leaving almost nobody indifferent. It had a positive response in the society, remaining for a long time in the center of the attention of mass media and community. This project was not a regular advertisement campaign; it was a challenge for all of us, to act to the best of our capabilities and contribute to the development of our country for our future.

<sup>1</sup> Customer Satisfaction Index - Indicator, measuring the level of satisfaction of the Bank's customers from the service quality

<sup>2</sup> Net Promoter Score - Indicator, measuring the loyalty of the Bank's customers, which shows the probability of recommending the Bank by the customers



### Indicators of social TV commercial spread in Facebook:

- \* number of views: 250 144
- \* number of shares: 7 687
- \* number of total comments: 2 277
- \* number of total likes: 28 997

## Corporate Social Responsibility

As in previous years, during the whole 2015 as well, within the framework of corporate social responsibility, the Bank initiated and performed a number of projects, trying to provide its assistance for the development of the RA rural communities, nature conservation, preserving the historical and cultural values and youth programs.

With the aim to stimulate the development of organic products in Armenia, within the framework of an agreement, signed with the Bank and Nature and Biodiversity Conservation Union (NABU), "**Certification of Organic Agricultural Products**" program is performed for small and medium enterprises. The program is directed to the organic certification, in compliance with the European and American standards of the products of Armenian farmers, which will contribute to the process of export of the Armenian products to the European market. The opportunity for export of the products with organic certification will stimulate the development of local production and therefore, creation of new employment positions.

The Bank continues to be loyal to the slogan "**Green is our color**" of environment protection, under the framework of which, in a number of dwelling places in Armenia the Bank has initiated tree-planting events and planted over 1500 trees. Under the same slogan, significant importance has also the process of implementation of energy saving technologies. As in previous years, in 2015 as well, the Bank performed installation of solar water heaters, this time in the children rehabilitation center after Armenak and Anna Tadevosyans in Kosh village, and in "Grigoryan" center of "Orran" charity non-commercial organization in Vanadzor.

Throughout its activities, the Bank has never remained aside from the events and activities, having significant importance for the state and nation. During the activities, devoted to the 100th anniversary of the Armenian genocide, the Bank assisted the exceptional concert, held in "Chatelet" theatre of Paris, with the title "One Hundred Year of Silence", organization of thematic presentation in the building of municipality of Paris, as well as translation and publication works of four books, devoted to the Genocide.

Valuing the importance of the protection of historical and cultural monuments, the Bank initiated and brought to the end the works of the installation of doors of "Jukhtak" monastery, located in the neighborhood of Dilijan.

Upon the Bank's initiation, at the beginning of 2015, our capital was replenished with one more cultural sculpture; on the wall of the Bank's Head Office on Byron street, the bust of one of the famous authors of Europe, an English author, big armenologist and a good friend of the Armenian nation - Lord George Gordon Byron, was placed.

2015 was full of events, stimulating the activities among the youth:

- \* With the Bank's support and sponsorship, in Yerevan the international running half-marathon took place for the first time - "Yerevan RUNARM", which was received with great enthusiasm by the youth, contributing to the strengthening of the already formed culture of healthy lifestyle.

- \* With the Bank's sponsorship, with the participation of the famous Armenian football player - Youri Djorkaeff and former head coach of Armenian national football team Vardan Minasyan, a charity football match was organized and held between the teams of the Armenian journalists and the Bank's football team. The amounts, provided by the Bank for the charity play, were allocated to buy sport equipment for the pupils of Khachik frontier village and Gavar orphanage.

In the context of infrastructure of customer service, the Bank performed the designing and construction works of 3 new branches. As a result, in the center of Yerevan, the branches "Sayat-Nova" and "Teryan", and in Gyumri - "Ani" branch were opened. Besides, aiming at making the process of customer service more comfortable and

new, renovation works were performed in 4 branches of the Bank. To ensure the natural flow of activities in the Head Office of the Bank, and to improve its working conditions, the construction works of the new Head Office were started.

The activity in the marketing sector is a continuous process by now, trying to make the customers more informed and more confident about the activities and steps, made by the Bank.

## Digital Bank

In the sector of banking activities, the specialists consider the digitalization of the banking products "future wave", as many are sure that it is already present.

The process of regularly updating the systems and technologies, operating in the past, and implementing innovative principles, is one of the largest world tendencies today. As a result of all this, the banking system has also the tendency to implement services, which are more comfortable for the customers and save their time. Parallel to the satisfying the demand for similar services, the concept of "digital banking" appeared. The efficient application of the digital tools makes it possible to hold a proper dialogue with the customer, in a proper way, by making the process of provision of services more smooth and easy. In the last years, the banks continue to increase the investments in the digitalization of their services. In the market, in the context of this development, the Bank strengthens with stable steps its positions in the digital domain. Today, the active presentation of the companies in the internet and the application of modern digital marketing tools are the mandatory elements of efficient management of business. The perception of the brand and image of an organization in the society directly depends on the strategic principles, applied in the digital domain.

At the beginning of 2015, the first mobile application of the Bank was launched - ACBA Token, which gave an opportunity to the customers to access ACBA ON-LINE system with a mobile phone, working with iOS and Android operational systems.

Already in September, the Bank launched ACBA

Mobile application for mobile phones, where the latest technological solutions are combined, ensuring the easy usage of the application, as well as its security. ACBA Mobile application for mobile phones gives an opportunity to each person to manage the accounts without visiting the Bank, having only a mobile phone or a tablet, working with iOS or Android operational systems, and access to the internet.

The implementation of the concept of "Digital Bank" is possible only in case of development and implementation of a proper digital marketing strategy. The Bank follows the development of tools and possibilities, envisaged by the social networks, for the execution of digital marketing. Their competent use gives us an opportunity to provide a targeted information to our target audience online and stay permanently "in touch".

Nowadays, representation in the social networks is mandatory, without which it is difficult to imagine the operation of any sector of business.

**"In 2015, the overall views of the Bank's official Facebook page totaled to 3 019 500, and the number of followers reached more than 55 000"**

In 2015, the Bank was active in one of the most active social networks of Armenia, which recorded growth of usage - in Instagram, where various campaigns were performed. At the end of the year, with the number of followers the Bank held the first place in the RA banking system.

Among the Bank's works in the digital domain, there is also the relaunch of the official website. It is equipped with the modern solutions, and at the same time it has more comfortable and user-friendly possibilities for the customers. The new website is also another tool for connection with the customers, via which the online requests for ordering of products and other types of requests are performed, the opinions and recommendations of customers are collected, etc.



"After the website relaunch, it was visited by more than 500 000 users, and the number of viewed pages comprised more than 2 MM"

Thus, 2015 may be considered as the start of the new direction in the Bank's activities - start of the establishment and implementation of "digital bank" concept.

## "ACBA Leasing" CJSC

2015 was a year of prosperity and efficiency also for "ACBA Leasing" CJSC, which being the leader in the RA leasing market, continues to strengthen its positions and record higher indicators, due to new cooperation and created possibilities.

Being prepared to accept and withstand the market challenges, in 2015 "ACBA Leasing" CJSC took the initiative to develop a new customer-oriented strategy, as a result of a number of studies and analyses under the framework of which, new target groups were formed and new directions for market development appeared.

In 2015, the cooperation framework with partners was expanded:

- \* New suppliers in production, construction, recoverable energy and agriculture were attracted, expanding the scope of cooperation;
- \* Cooperation with five large insurance companies was strengthened, which had its positive influence on the service quality and terms, as well as, in comparison with the previous year, around **50%** growth of non-interest income was ensured. Besides, CASCO and CMTPL insurances, works were started on development and implementation of load insurance and a number of other products of insurance nature;
- \* A big stimulus in the progress of the company was the cooperation with the international funds and banks, which gave an opportunity to attract financial resources also in the Armenian dram, to make the leasing terms more attractive and profitable for the customers.

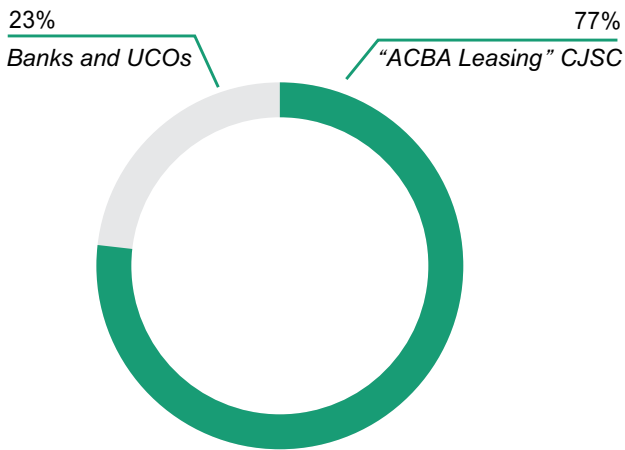
"In 2015 a promising cooperation started with "KFW", "GGF", "EIB" and "EFSE" international funds"

In 2015, extensive works were performed on the establishment and development of "**Green Leasing**" sub-brand, created in 2014. The sub-brand, born under the framework of environment protection policy, has formed a unique culture in the market, paving the way for the spread of application of energy saving equipment and technologies in Armenia. In the context of that ideology, in 2015 another leasing product was developed and implemented - "**Leasing of energy saving equipment**", under the framework of which the leasing of water heaters and solar battery leasing is performed.

"At the end of 2015, the share of "green" in the leasing portfolio amounted to 1.3 BN AMD"

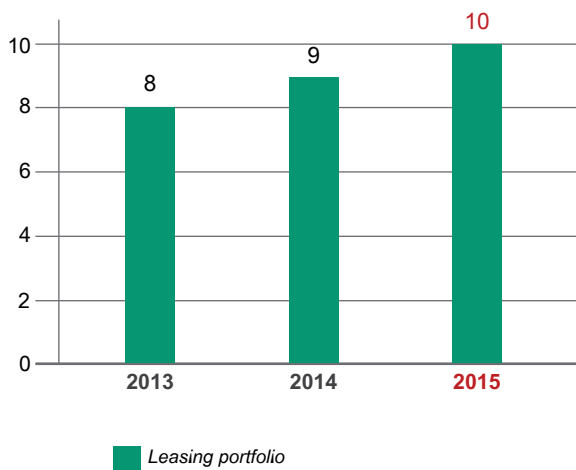
As an established and experienced representative of the sector, "ACBA Leasing" company is at present also involved in the activities on provision of financial and methodological consulting services in the development of leasing. Under the framework of the Consortium agreement, signed with "Grant Thornton" in 2014, "ACBA Leasing" CJSC provides consulting services on the establishment of leasing companies in CIS countries, as well as on the investments, performed in the sector, and its development. Thus, in 2015, the first project was finished successfully, which was performed for "ACCESS Bank" of Tajikistan. This is a stimulus for the development of the given sector and activities in new spheres. "ACBA Leasing" continues to hold the position of a total leader in RA leasing market, with the market share of **77%**, which exceeds the achievements of the previous year by **12** percentage points.

### Share of "ACBA Leasing" CJSC in 2015 in RA leasing market



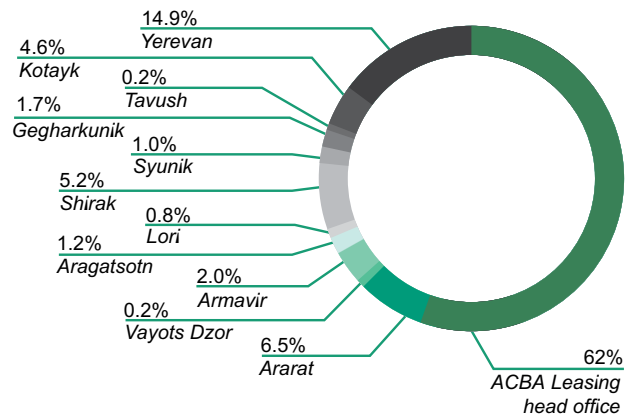
By the end of 2015 the leasing portfolio has increased by around **8%** reaching approximately **10 BN AMD (20 MM USD)** and comprising **78%** of the company's assets.

### The leasing portfolio dynamics by years (BN AMD)



The cooperation between the Bank and "ACBA Leasing" has started since the first day of establishment of the company, as a result of which the leasing services are accessible also to the customers of all regions of the RA with maximum simplified terms. In 2015, the share of leasing, performed through the branches of the Bank, formed **38%**.

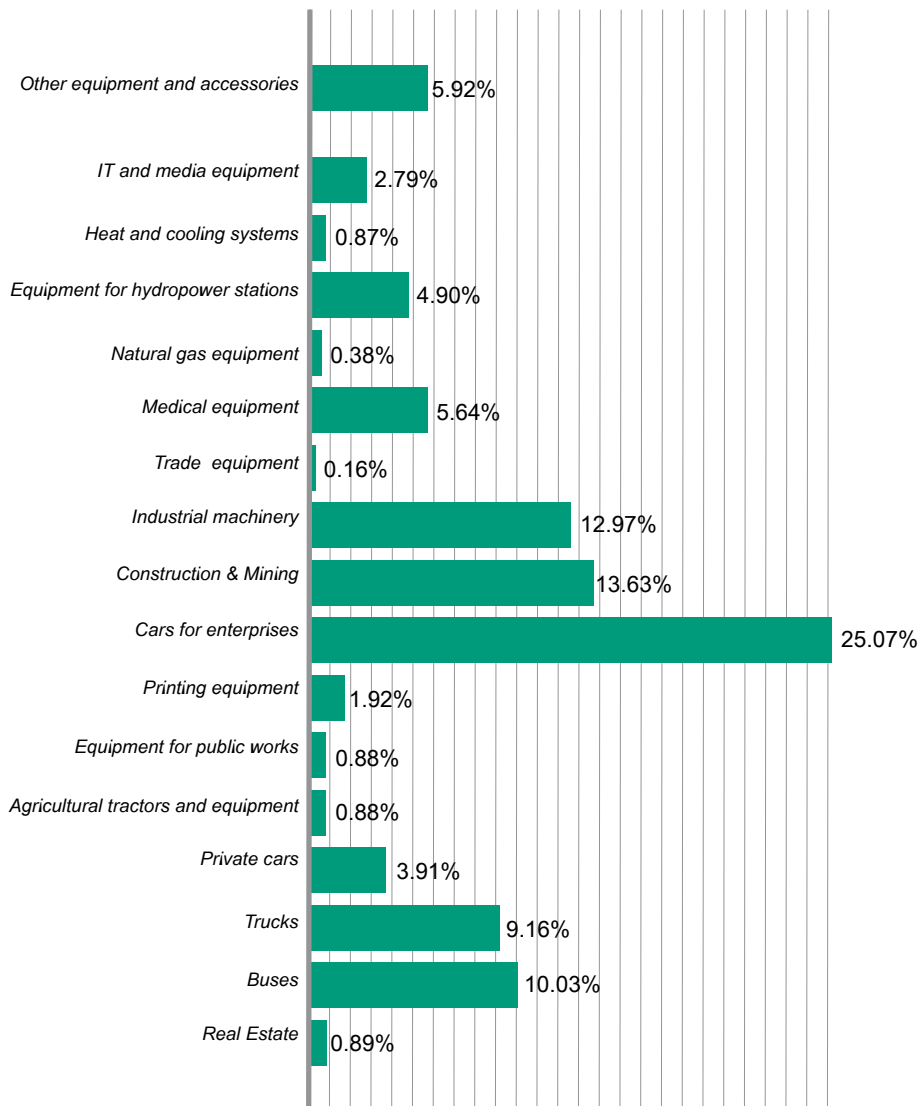
### The leasing portfolio by branches in regions and Yerevan in 2015





The assortment of the offered leasing objects is diverse. The volumes of industrial equipment, other means of construction and production, deserve a special attention.

**“ACBA Leasing” CJSC portfolio by leasing objects in 2015**



The facts and indicators, presented above, evidence the stable position of the company, as well as of the correct strategic orientation, which will be applied with even a wider potential for the development and stimulation of the RA leasing market.



## CONTENT

- 1 INDEPENDENT AUDITORS' REPORT
- 2 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
- 3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- 4 CONSOLIDATED STATEMENT OF CASH FLOWS
- 5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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**Independent Auditors' Report**

To the Board of Directors  
ACBA-CREDIT AGRICOLE BANK CJSC

We have audited the accompanying consolidated financial statements of ACBA-CREDIT AGRICOLE BANK CJSC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Armenia cjsc, a company incorporated under the Laws of the Republic of Armenia, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

*Other Matter*

The consolidated financial statements of the Group as at and for the year ended 31 December 2014 were audited by other auditors whose report dated 25 March 2015 expressed an unmodified opinion on those statements.



Tigran Gasparyan  
Managing Partner, Director of KPMG Armenia cjsc

*KPMG Armenia cjsc*

KPMG Armenia cjsc  
26 April 2016


**ACBA-CREDIT AGRICOLE BANK CJSC**  
*Consolidated Statement of Profit or Loss and Other Comprehensive Income*  
*for the year ended 31 December 2015*

	<b>2015</b>	<b>2014</b>
	<b>AMD'000</b>	<b>AMD'000</b>
Interest income	32,226,144	30,869,142
Interest expense	(15,192,877)	(13,719,166)
<b>Net interest income</b>	<b>17,033,267</b>	<b>17,149,976</b>
Fee and commission income	3,265,417	2,903,945
Fee and commission expense	(1,252,189)	(1,092,127)
<b>Net fee and commission income</b>	<b>2,013,228</b>	<b>1,811,818</b>
Net gain/(loss) on financial instruments at fair value through profit or loss	3,756	(515,582)
Net foreign exchange income	1,487,471	2,682,236
Net gain/(loss) on available-for-sale financial assets	38,634	(1,186)
Other operating income	2,168,927	1,652,738
Other operating expense	(1,515,316)	(1,134,053)
<b>Operating income</b>	<b>21,229,967</b>	<b>21,645,947</b>
Impairment losses	(8,638,025)	(10,803,385)
Loss from revaluation of land and buildings	(590,338)	-
Personnel expenses	(6,780,965)	(5,905,326)
Other general administrative expenses	(4,862,894)	(4,590,567)
<b>Profit before income tax</b>	<b>357,745</b>	<b>346,669</b>
Income tax expense	(397,766)	(40,845)
<b>(Loss)/profit for the year</b>	<b>(40,021)</b>	<b>305,824</b>
<b>Other (loss)/income, net of income tax</b>		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Revaluation reserve for available-for-sale financial assets:		
- Net change in fair value	(180,446)	(161,615)
- Net change in fair value transferred to profit or loss	30,907	(949)
<i>Total items that are or may be reclassified subsequently to profit or loss</i>	<i>(149,539)</i>	<i>(162,564)</i>
<i>Items that will never be reclassified to profit or loss:</i>		
Revaluation of land and buildings	(319,273)	-
<i>Total items that will never be reclassified to profit or loss</i>	<i>(319,273)</i>	<i>-</i>
<b>Other comprehensive loss for the year, net of income tax</b>	<b>(468,812)</b>	<b>(162,564)</b>
<b>Total comprehensive (loss)/income for the year</b>	<b>(508,833)</b>	<b>143,260</b>
<b>(Loss)/profit attributable to:</b>		
- Equity holders of the Bank	(41,689)	248,391
- Non-controlling interests	1,668	57,433
<b>(Loss)/profit for the year</b>	<b>(40,021)</b>	<b>305,824</b>
<b>Total comprehensive (loss)/income attributable to:</b>		
- Equity holders of the Bank	(510,501)	85,827
- Non-controlling interests	1,668	57,433
<b>Total comprehensive (loss)/income for the year</b>	<b>(508,833)</b>	<b>143,260</b>

The consolidated financial statements as set out on pages 5 to 65 were approved by management on 26 April 2016 and were signed on its behalf by:

  
 Hakob Andreasyan  
 Chief Executive Officer



  
 Armen Hakobyan  
 Chief Accountant

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

**ACBA-CREDIT AGRICOLE BANK CJSC**  
*Consolidated Statement of Financial Position as at*  
*31 December 2015*

	<b>2015թ. AMD' 000</b>	<b>2014թ. AMD' 000</b>
<b>ASSETS</b>		
Cash and cash equivalents	54,169,788	64,569,052
Financial instruments at fair value through profit or loss	-	149,303
Available-for-sale financial assets		
- Held by the Group	17,350,075	1,954,062
- Pledged under sale and repurchase agreements	2,638,083	7,253,389
Loans and advances to banks	1,183,304	12,984,066
Loans to customers	168,358,966	175,631,668
Receivables from finance leases	9,607,216	8,715,323
Current tax asset	1,504,741	1,179,339
Property, equipment and intangible assets	15,278,358	15,730,773
Investments in associate	243,032	276,955
Other assets	2,519,675	2,655,292
<b>Total assets</b>	<b>272,853,238</b>	<b>291,099,222</b>
<b>LIABILITIES</b>		
Financial instruments at fair value through profit or loss	51,658	-
Deposits and balances from banks	23,339	7,528
Amounts payable under repurchase agreements	2,500,627	7,007,655
Current accounts and deposits from customers	107,606,091	99,585,004
Other borrowed funds	105,504,099	128,156,410
Deferred tax liabilities	931,511	680,098
Other liabilities	2,523,785	1,369,656
<b>Total liabilities</b>	<b>219,141,110</b>	<b>236,806,351</b>
<b>EQUITY</b>		
Share capital	30,000,000	30,000,000
Revaluation surplus for land and buildings	2,990,119	3,888,683
Revaluation reserve for available-for-sale financial assets	427,278	576,817
Retained earnings	18,816,669	18,279,067
<b>Total equity attributable to equity holders of the Bank</b>	<b>52,234,066</b>	<b>52,744,567</b>
Non-controlling interests	1,478,062	1,548,304
<b>Total equity</b>	<b>53,712,128</b>	<b>54,292,871</b>
<b>Total liabilities and equity</b>	<b>272,853,238</b>	<b>291,099,222</b>

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	<b>2015p.</b> <b>AMD' 000</b>	<b>2014p.</b> <b>AMD' 000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	31,914,355	29,722,378
Interest payments	(15,596,891)	(13,719,116)
Fee and commission receipts	3,265,417	2,903,945
Fee and commission payments	(1,252,189)	(1,092,127)
Net receipts from financial instruments at fair value through profit or loss	3,756	23,137
Net receipts/(payments) from available-for-sale financial assets	38,634	(1,186)
Net receipts from foreign exchange	1,336,147	1,335,598
Other operating income receipts	720,364	791,939
Other operating expenses payments	(9,945,364)	(8,812,534)
<b>(Increase)/decrease in operating assets</b>		
(Increase)/decrease in operating assets	200,961	(712,157)
Loans and advances to banks	11,575,646	(732,120)
Loans to customers	263,451	(11,342,873)
Receivables from finance leases	(1,069,946)	(1,111,515)
Other assets	55,613	(181,628)
<b>Increase/(decrease) in operating liabilities</b>		
Deposits and balances from banks	15,811	4,944
Amounts payable under repurchase agreements	(4,507,028)	7,007,655
Current accounts and deposits from customers	8,292,065	6,210,207
Other liabilities	449,946	(17,348)
<b>Net cash from operating activities before income tax paid</b>	<b>25,760,748</b>	<b>10,277,149</b>
Income tax paid	(354,552)	(1,789,689)
<b>Cash flows from operations</b>	<b>25,406,196</b>	<b>8,487,460</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of available-for-sale financial assets	(12,480,637)	(4,413,144)
Sale and repayment of available-for-sale financial assets	1,699,099	2,512,260
Purchases of property, equipment and intangible assets	(1,578,736)	(1,401,906)
Sales of property, equipment and intangible assets	-	37,940
<b>Cash flows used in investing activities</b>	<b>(12,360,274)</b>	<b>(3,264,850)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts of other borrowed funds	22,556,064	30,710,462
Repayments of other borrowed funds	(45,886,159)	(40,506,660)
Dividends paid	(71,910)	-
<b>Cash flows used in financing activities</b>	<b>(23,402,005)</b>	<b>(9,796,198)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,356,083)</b>	<b>(4,573,588)</b>
Effect of changes in exchange rates on cash and cash equivalents	(43,181)	6,354,758
Cash and cash equivalents as at the beginning of the year	64,569,052	62,787,882
<b>Cash and cash equivalents as at the end of the year</b>	<b>54,169,788</b>	<b>64,569,052</b>

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

Attributable to equity holders of the Bank

	Share capital	Revaluation surplus for land and buildings	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total	Non-controlling interests	Total equity
<b>AMD 000</b>							
Balance as at 1 January 2014	30,000,000	3,927,426	739,391	17,991,933	52,658,740	1,490,871	54,149,611
Total comprehensive income	-	-	-	248,391	248,391	57,433	305,824
Profit for the year	-	-	-	248,391	248,391	57,433	305,824
Other comprehensive income items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets, net of deferred tax	-	-	(161,615)	-	(161,615)	-	(161,615)
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of deferred tax	-	-	(849)	-	(849)	-	(849)
Total items that are or may be reclassified subsequently to profit or loss	-	-	(162,564)	-	(162,564)	-	(162,564)
Total other comprehensive income	-	-	(162,564)	-	(162,564)	-	(162,564)
Total comprehensive income for the year	-	-	(162,564)	248,391	85,827	57,433	143,260
Transfer from evaluation surplus to retained earnings	-	(38,743)	-	(38,743)	-	-	-
Balance as at 31 December 2014	30,000,000	3,888,683	576,817	18,279,087	52,744,587	1,548,304	54,292,891

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

Attributable to equity holders of the Bank

	Share capital	Revaluation surplus for land and buildings	Revaluation reserve for available-for-sale financial assets	Retained earnings	Total	Non-controlling interests	Total equity
<b>AMD 000</b>							
Balance as at 1 January 2015	30,000,000	3,888,683	576,817	18,270,067	52,744,567	1,548,304	54,292,871
Total comprehensive income	-	-	-	(41,630)	(41,630)	1,668	(40,211)
Loss for the year	-	-	-	-	-	-	-
Other comprehensive income items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets, net of deferred tax	-	-	(180,445)	-	(180,445)	-	(180,445)
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of deferred tax	-	-	30,907	-	30,907	-	30,907
Total items that are or may be reclassified subsequently to profit or loss	-	-	(149,538)	-	(149,538)	-	(149,538)
Items that will never be reclassified to profit or loss:							
Revaluation of land and buildings, net of deferred tax	-	(319,273)	-	-	(319,273)	-	(319,273)
Total items that will never be reclassified to profit or loss	-	(319,273)	-	-	(319,273)	-	(319,273)
Total other comprehensive loss	-	(319,273)	(149,538)	-	(468,812)	-	(468,812)
Total comprehensive loss for the year	-	(319,273)	(149,538)	(41,630)	(510,501)	1,668	(508,833)
Transactions with owners, recorded directly in equity							
Dividends declared	-	-	-	-	-	(71,910)	(71,910)
Total transactions with owners	-	-	-	579,291	-	(71,910)	(71,910)
Transfer from revaluation surplus to retained earnings	-	(579,291)	-	579,291	-	-	-
Balance as at 31 December 2015	30,000,000	2,990,119	427,278	18,816,669	52,234,066	1,478,052	53,712,128

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.



 **ACBA-CREDIT AGRICOLE BANK**

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