



2019
Annual report



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Strategic statement

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Message of the Chairman of the Council



Vartan Dilanyan
Chairman of the Council of "IDBank" CJSC

Born on July 24, 1971.

In 1994 graduated from Moscow State Institute of International Relations, Faculty of International Economic Relations.

In 2010 graduated from Moscow "Skolkovo" Management School, Executive MBA.

In 2008 was appointed as the Chairman of "BINBANK" OJSC.

Since 2011 works in Accenture PLC as Managing Director of "Financial Services" operational group.

Currently holds the position of the Executive director of "Accenture" PLC in Russia and Kazakhstan.

In 2016 was appointed as the Chairman of the Council of "IDBank" CJSC.

Dear investors, clients and shareholders,

In 2019 IDBank demonstrated positive growth dynamics in the main areas of activity, while ensuring high yields and progressive development.

Our financial indicators, as well as achievement of the goals testify to both quantitative and qualitative growth of our activity.

Undoubtedly, 2019 was significant in terms of the projects implemented within the framework of the Bank's digital transformation. Now we can confidently state that we have strengthened our position in the digital world. The digital platform created together with the leading national payment institution Idram significantly simplifies our clients' life by providing many new services and, at the same time, saving time.

On the other hand, the launch of the digital platform is a step forward in the implementation of our strategy, which aims to provide a perfect client experience through our ecosystem.

In 2019 we have continued to develop our branch network as well, equipping the branches with innovative and technological solutions. We attach great importance to personal contact with clients.

I am glad to acknowledge that our successful work in the abovementioned directions has led to a significant increase in the number of clients. I am confident that due to our efforts and care, they will be our loyal clients.

Based on the successes we have achieved throughout this year the 2020 strategy challenges the Bank to achieve a new level of efficiency. We are confident that the investments made in technological development and innovations are the key of our long-term growth, that is why these directions will remain at the center of the Bank's strategy.

Due to our efforts, we will continue to hold a stable position among digital-oriented banks of Armenia, as well as cooperate with international financial organizations, at the same time holding out in terms of functional capabilities and technical equipment not yielding to their functional capabilities and technological infrastructure.

On behalf of the Council, I would like to thank our team, emphasizing once again that the staff is the main asset of the Bank. I am confident that we are united not only by the daily cooperation, but also by the common values and the vision of the Bank's development. I would also like to thank our clients, investors and partners for their trust and loyalty.

Chairman of the Council

Vartan Dilanyan

Message of the Chairman of the Management Board



Mher Abrahamyan
Chairman of the Management Board

Born on October 16, 1975.

In 1997 graduated from the Yerevan Institute of National Economy, faculty of Management and Economic Relations.

In 2004 graduated from Fletcher School of Law and Diplomacy, Tufts University, USA, with qualification of CFA I, II levels.

Since 1999 has been employed at the RA Central Bank, in 2007-2012 as the Head of Banking System Regulation Unit within the Financial System Regulation Division of the RA Central Bank, and in 2012-2018 as the Head of Financial System Regulation Division.

In 2019 was appointed as the Chairman of the Management Board of IDBank.

Dear partners, clients and shareholders,

2019 was a year of achieving goals of strategic importance for the Bank.

Through improving digital channels at a steady pace, today we offer a complete set of remote servicing.

In the meantime, we have created a new service environment where a client doesn't feel being in a Bank but in a completely different environment – a place where all the main needs of clients are being met, be it service, work, leisure etc. We are talking about IDBank's flagship branch located in the Northern Avenue, where everything is built around the client and for the client.

The strategic direction adopted by IDBank after the rebranding in 2018, i.e. to create an ideal environment for clients in terms of both direct contact and remote servicing, is now a reality. We continue to steadily move forward towards implementation of the adopted strategy, multiplication of achievements and being our clients' partner.

This path has already proven to be efficient: the Bank continues to occupy a leading position in terms of capital and financial efficiency indicators. Needless to mention that according to 2019 results the growth of the Bank's annual net profit amounted to 17.1%, in 2019 we have recorded significant growth of the Bank's loan portfolio by 26%. We are constantly working to offer innovative and convenient products to clients. During 2019 the Bank issued about 100,000 cards for clients after the launch of our innovative Rocket Visa card in the market in 2019. I can state with confidence that the card and loan products that we offer are distinguished by favorable conditions due to which a great number of clients has joined us throughout 2019. IDBank offers them a new card, loan and banking culture in general.

In this regard our vision is being built only around the client: both the technological development and essential improvements in the branches network are aimed at creating a special environment for clients. It is the strong foundation on which our partner relationships have been and will be built.

And this is just the beginning of our innovative path due to which IDBank has entered the year of 2020 with significant achievements, stable indicators. All this comes to prove that we have chosen the right strategy and are moving along a clearly outlined path.

The success is certainly not only about technologies, but also human resources. Professional resources are gaining more and more importance in our sector, and I can proudly say that IDBank has a team of professional and dedicated employees who believe in our vision and make every effort to bring it to life.

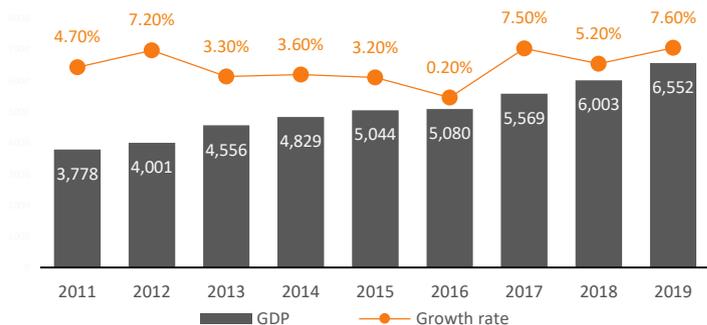
Having such a team, realizing the necessity for constant changes and with the application of innovative tools to implement them, I am confident that this year we will also be able to correctly assess our capabilities and meet the expectations of everyone who we work for - shareholders, partners and each client who comes to IDBank.

Chairman of the Management Board

Mher Abrahamyan

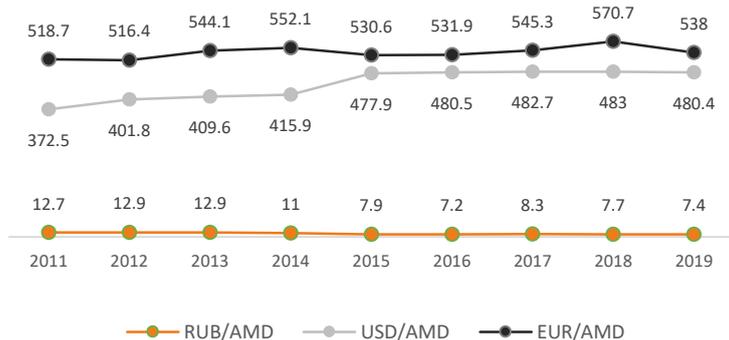
RA economy

GDP at current prices, AMD



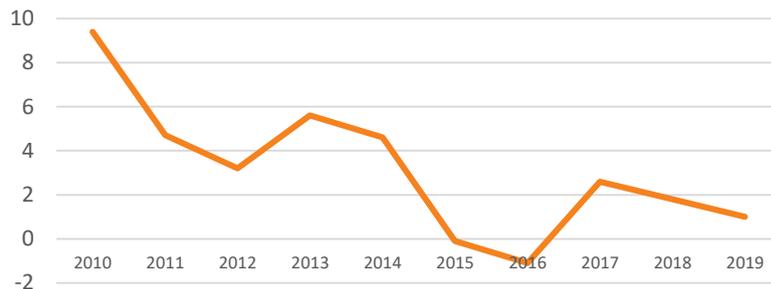
Source: RA Statistical Committee

Average annual exchange rates



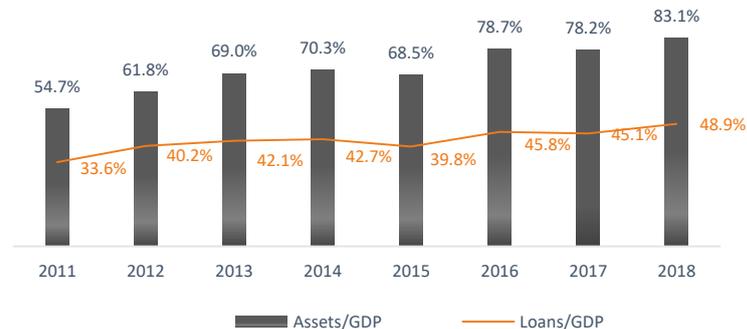
Source: CBA

Inflation (annual, end of period,%)



Source: RA Statistical Committee

The ratio of banks' assets and loans to GDP



Source: CBA



Born on March 30, 1976.

In 2001 graduated from Moscow Lomonosov State University, faculty of Mechanics and Mathematics, Department of Financial and Actuarial Mathematics.

Has more than 19 years of international work experience in the financial and investment sectors.

In 2016 joined the IDBank team. Currently hold the position of Business development director, Management Board Member of IDBank.

Karen Nalbandyan
Business development director

Our main goal in to provide clines with fast, convenient and secure services anywhere and anytime.

Toward this goal we are building a client-centric ecosystem around client needs based on an open digital platform, as well as through branches.

The ecosystem is based on the digital platform. It is a technology platform that we are developing in collaboration with Idram, which allows to offer clients both the bank's own products and payment services, as well as partner products and services online. At the same time, the platform has all the necessary security levels.

The Bank's branches complement the ecosystem, providing the opportunity for tête-à-tête cooperation with the Bank for current and potential clients. At the same time, our strategic task is to turn the branches into consulting and sales centers for such products, which cannot be completely transferred to the digital platform (mortgage, loans secured by assets, etc.). Current transactions are being taken as far as possible to self-service and distant channels.

We believe that achieving the set goals will enable us to provide the best experience for our clients and build long-term trusting relationships with them.

Our strategy and results

IDBank at a glance

Financial indicators

Retail loan portfolio
AMD

42,6 bln

+43.5% annually

Corporate loan portfolio
AMD

45,7 bln

+9.9% annually

Current accounts and deposits of clients
AMD

58,8 bln

+4.4% annually

Total capital
AMD

43,6 bln

+8.2% annually

Net profit
AMD

2,6 bln

+17.1% annually

Net interest income
AMD

7,6 bln

+7.2% annually

ROA
%

1.9%

+11.8% annually

ROE
%

6.1%

+17.3% annually

Operational indicators

Number of branches

12

Retail clients

~ 203.5 thous.

+34% annually

Corporate clients

~ 6.1 thous.

+17% annually

Number of issued cards

142,4 thous.

+175,8% annually

Number of ATMs

52

-3,7% annually

Number of payment terminals

22

+15,8% annually

Number of Pos-terminals

274

+54,8% annually

Our clients

For the purpose of using the services rendered by the Bank in the most convenient way the Bank currently offers the following main channels:



Multifunctional internet and mobile banking



Innovative and convenient branches



24/7 self-service complex



24/7 call center

Corporate clients



~ 6,1 thousand clients

+17% annually

As of the end of 2019 the number of the Bank's corporate clients amounts to around 6,100. The Bank constantly develops partner relationships with organizations operating in different spheres by offering convenient terms and conditions to solve financial problems.

- The package services products for SME have been introduced and continues to be developed.
- In terms of loan products financial limits have been introduced both for large, as well as medium and small enterprises. Financial limits help to increase client loyalty and react to the loan needs of the latter in a more flexible way.

Retail clients



~ 203.5 thousand clients

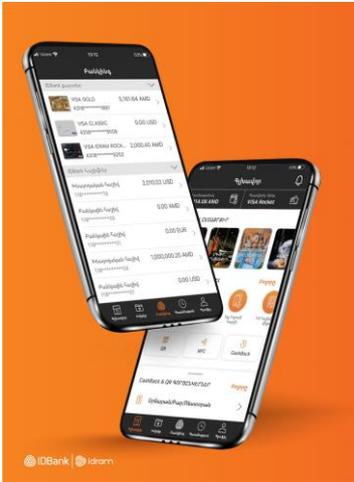
+34% annually

As of the end of 2019 the number of the Bank's retail clients amounts to around 203,500. The Bank makes every effort to meet their financial needs and ensure their satisfaction. During 2019, the Bank presented many "active" and "passive" products that are profitable, comfortable and aimed at increasing the well-being of our clients.

- The card and savings account conditions are one of the best in the banking system due to which the balances of card and saving accounts have increased throughout 2019.
- The volumes of transactions through the Bank's cards has also significantly increased during 2019. The Bank develops its card products in order to make purchases and payments made by clients more convenient. Clients have the opportunity to make contactless payments by payment cards and through Idram wallet and banking application by QR and NFC.
- The Bank realizes the necessity to improve housing conditions of clients, so in 2019 the volumes of mortgages loans increased by 86% as compared to the previous year.
- The consumer loan portfolio of the Bank has increased by around 43% as compared to the previous year which proves that the Bank also attaches great importance of financing of clients' daily needs through fast and profitable loans and credit lines.

Digital platform

With the slogan **Wallet and Banking**, IDBank and Idram offer an unprecedented complete toolkit in the sphere of personal finance management.



It is a common tool for using all types of payment, transfer and other financial services, which completely excludes the need to visit banks, deal with cash and be physically involved in the process of personal finance management.

The format of cooperation of the companies is the first open banking example in the Armenian market.

Both the Bank and Idram continue monitoring of global innovative trends, develop current services, as well as develop new ones to provide clients in Armenia with corresponding services in compliance with international standards.

Trough Idram application and idbanking.am platform customer can:



Become platform client by passing remote identification in a matter of seconds



Payments through QR and NFC technologies at more than 2,000 partners



Make purchases in more than 200 online stores



Make instant payments for more than 250 services: utilities, telecommunication, taxes, loans, replenishment of accounts and a number of other services



Order IDBank's banking cards immediately from the application as well as attach cards issued by other banks



Open saving, current accounts, also in a foreign currency



Make transfers from the account, card and wallet

Non-financial results

New card with a number of privileges



In cooperation with Idram the Bank issued the Idram Rocket Visa card. The Idram Rocket Visa card can be ordered online from IDBank's new Online Banking system (IDBanking.am), Idram's website, Idram application as well as IDBank's branches completely free.

The card can be delivered to the address indicated by the client upon request. The client receives annual interest of 4,5% on the positive balance of the Idram Rocket Visa card, as well as cashback in case of any non-cash purchase through the card.

The Bank is a member of International Chamber of Commerce



IDBank was the first in the RA banking system to become an official member of the International Chamber of Commerce (ICC) becoming a member of ICC National Committee Armenia – ICC NCA).

Membership of the International Chamber of Commerce allows IDBank's experts to be involved in the composition of the the ICC Banking Commission, participate in the activities of international working groups of ICC with form offers and consultation on the best banking innovative tools and solutions.

The Call Centre will work 24/7



From now on IDBank's Call Centre provides a round-the-clock opportunity to contact the Bank and receive competent consultation on all types of different banking operations from anywhere in the world.

The timely received information on banking operations can protect our clients from problems emerging in different situation. Given the continuous growth of clients and the fact that the Bank offers a number of services in 24/7 mode questions related to which require fast reaction, the Bank decided to transfer the work of the Call Centre into round-the-clock.

Abovyan branch of the Bank has moved to a new address



Just like in the other newly opened branches, both the design and technical and technological solutions in Abovyan branch as well allow to enjoy the advantages of complete, high-quality service.

The Bank continues the project of branches renovation providing modern, convenient solutions to clients.

Corporate social responsibility, public relations

As before, in 2019 as well, the Bank continued to implement the goals and programs set out by the strategy, adhering to its vision of becoming the best digital bank in Armenia.

Throughout the year, many projects were implemented within the framework of social responsibility.

“Build your career with IDBank” training program



Understanding the importance of creating new opportunities for the young generation, the Bank decided to solve this program for at least a group of students and provide them with the opportunity to participate in trainings at the expense of the Bank and then also work in the Bank.

Since one of the strategic goals of the Bank is improvement of customer service quality and individual approaches to clients, the Bank has selected student who are ready to start their career from that very important link.

1 mln AMD IDBank Scholarship for students



Understanding the importance of education and continuous development of the young generation, the Bank provides opportunity to students studying with honors in RA state universities to continue their education for the master’s degree with IDBank scholarship.

5 students have been selected among numerous applicants: each of them received scholarship in the amount of 1 mln AMD to continue their education for the master’s degree. The 2nd stage of “Build your career with IDBank” program has also been announced.

IDBank sponsors Rock Aid Armenia program’s 30th anniversary and the visit of rock stars



World-famous rock musicians Ian Gillan and Tony Iommi have arrived in Armenia. The “Rock Aid Armenia” project is of special importance for IDBank, as we are talking about charity of 3 decades.

High quality education is the key to our country’s development, and the ability to be grateful is the driving force behind everything. IDBank is guided by this very values.

Under the guidance of IDBank Armenia participated in European Cup of ITF Taekwondo



The European Cup of ITF Taekwondo took place in Sochi in June. Under the sponsorship of IDBank Armenia also participated in the championship.

Healthy lifestyle is of great importance for IDBank and the latter continues to support popularization of different sports in Armenia.

The Kung Fu World Cup was held in Armenia for the first time



IDBank was the chief sponsor of the world cup. The Bank attaches great importance to healthy lifestyle and continues to support representatives of various sports.

Corporate social responsibility, public relations

IDBank has joined the World Vision Armenia's new "Back to School" donation campaign



IDBank has joined the World Vision Armenia's new "Back to School" donation campaign which aims at providing items of first necessary for school to as many children as possible.

It has already been the second year in a row that IDBank supports World Vision Armenia's donation initiatives which aims at improving the lives of children from families in need.

The Bank launched an information security campaign



Understanding the importance of information security in terms of security of clients' means and maintenance of security rules, IDBank launched an information security - client awareness campaign.

Having successfully passed the globally accepted and best IS standard ISO 27001:2013 certification, the Bank ensured the best IS standards.

Make a wish come true



According to the tradition, this year too, the Bank made the new year wished of children from bordering Chinari village, Tavush province, come true within the framework of "Make a wish come true" initiative.



The aim of the initiative is to make children from distant regions happy. Community problems are constantly in the center of attention of IDBank and the Bank is guided by certain criteria while selecting a village of a distant region taking into account the general social issues and challenged of the given community.



Arman Asatryan
Financial Director

Born on January 16, 1977.
Graduated from Yerevan State Institute of
Economy, faculty of General Economics in the field of
Global Economics.

In 2017 was appointed as the Operations Director,
Member of the Management Board of "ID Bank" CJSC.

Currently holds the position of Financial Director,
Member of the Management Board of "IDBank" CJSC.

Has 22 years experience in the financial system.

Holding the position of the Bank's Operations Director since 2017, I have contributed my professional skills to ensure a high level of the Bank's current activity and improve efficiency of the processes.

Currently, having joined the financial team, I would like to sum up the Bank's financial results for 2019.

2019 was a year of progress for IDBank. According to 2019 results the Banks has recorded net profit of around 2.6 bln AMD. We have 23% growth of assets, and the loan portfolio has grown by 26%.

Analyzing the financial indicators we can state that the Bank has recorded growth in all the target directions set out the Bank's development program. This definitely testifies to targeted and effective work.

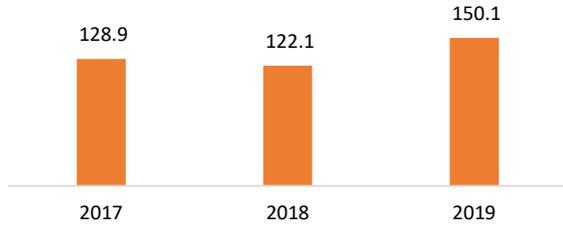
The Financial efficiency indicators have also increased as compared to the previous period. And this positive dynamic proves once again the realistic character of our vision of sustainable and progressive development of the Bank.

I am confident that the programs to be implemented in the future will also be a success not only strengthening the Bank's financial stability, but also recording unprecedented results.

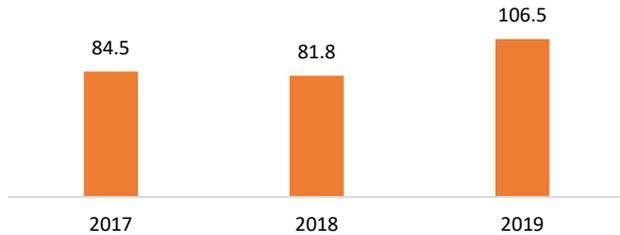
Financial results

Financial results

Total assets (AMD)



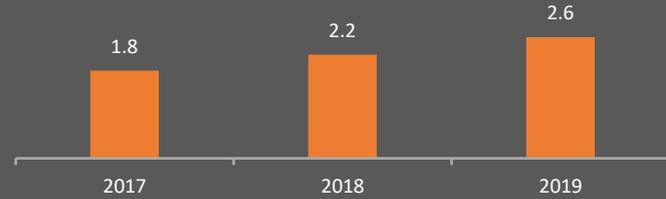
Total liabilities (AMD)



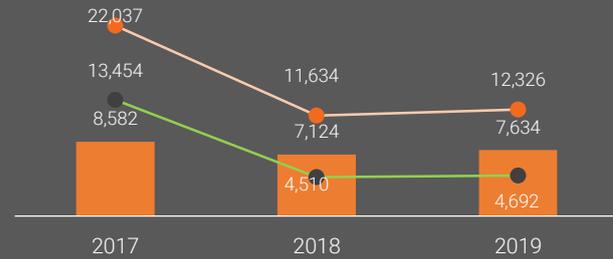
Total capital (AMD)



Profit for the year (AMD)



Net interest income (mln AMD)



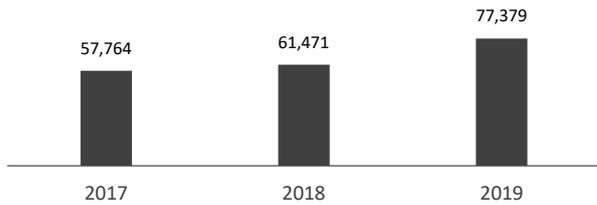
Net interest income

Interest income

Interest expenses

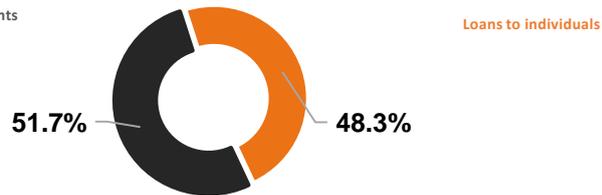
Loan portfolio

Loans and borrowings provided to clients
(carried at amortized cost), mln AMD



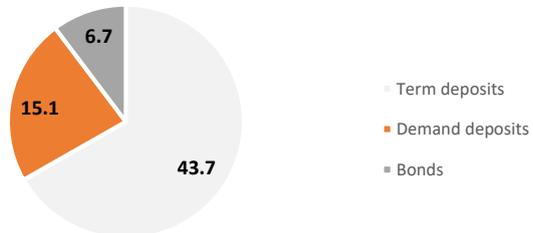
Structure of loan portfolio

Loans to corporate clients



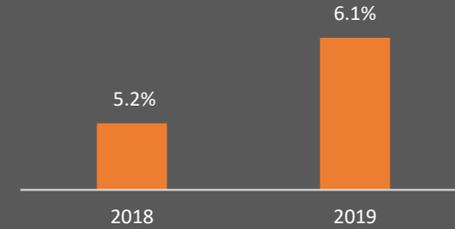
Loans to individuals

Liabilities to clients (AMD)

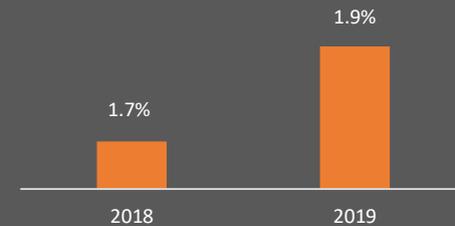


Efficiency indicators

ROE %



ROA %





Our staff



Born on July 27, 1983

Graduated from Yerevan State Linguistic University with double specialization in Linguistics and Pedagogy.

Has more than 10 years international experience in the sphere of human resources management and training.

In 2018 was appointed as the Head of Human Resources Management Division of IDBank.

Sona Manucharyan **Head of Human Resources Management Division**

The most important value for any successful organization is the team. It is due to our team that we are becoming more stable and successful every day in the process of implementation of the Bank's strategy.

As an employer the Bank does not spare any means to make the working environment more attractive and interesting, and takes steps towards making everyone feel valued and motivated and not only provide excellent results but also constantly develop his/her professional qualities and skills.

The Bank attaches great importance to teamwork where the best means are set out for work and unite even more outside working hours. The wide scope of team events organized for the team on a quarterly basis provide an opportunity to each team member to find events that will be of interest, get to better know the preferences of colleagues and get even stronger as a team to achieve success at work.

From the very first day of employment we open the wide gates of opportunities for each of our employees, providing them with the opportunity of growth, improvement of professional qualities, course and distant trainings and exchange of experience.

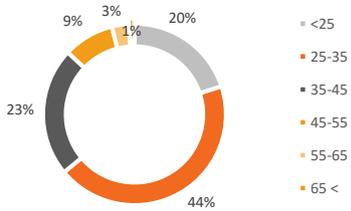
Undoubtedly, our management plays the most important role in spreading the company's culture, keeping employees motivated and supporting throughout career development. The open doors policy and availability on all the management levels allow employees to constantly appear with innovative ideas, improve their work through an out-of-the-box thinking.

Staff structure

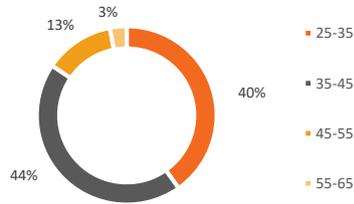
481

Actual number of Bank's employees as of the end of 2019

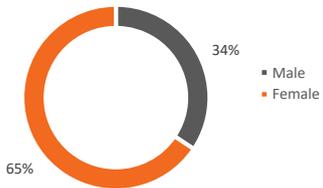
Staff composition by age, %



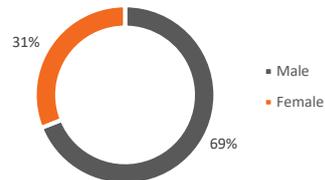
Management staff composition by age, %



Staff composition by gender, %



Management staff composition by gender, %



Team and corporate culture

We are a team – this is one of the main values of the Bank which has its impact on all the sectors of the Bank's activity.

The role of corporate culture in the Bank is to motivate, value and provide an opportunity of self-development to each employee. The mutual goal as well as team and personal victories and success are the most important for the team.



Throughout the whole year the Bank organized different events to raise the team spirit and give more positive energy to the whole team. Among them were festive surprises, celebrations of big and small victories, as well as corporate parties and quarterly teambuilding events.



Throughout the whole year the team also united for organization and realization of large social responsibility events.

Each employee realizes that he/she is the ambassador of the Bank and can best represent the Bank as an employer and a strong financial institution.

Remuneration and motivation

Our employees are our greatest assets and we become stronger and more dynamic on the road to achieving our goals thanks to their efforts and contribution.

The Bank encourages its employees in both financial and non-financial ways. The Bank's benefits package is constantly revised and updated.

The bonus and KPI systems apply to employees of both subdivisions rendering customer services and supporting subdivisions, which helps increasing efficiency and achieve better results in all areas.

Staff recruitment policy

The staff recruitment policy of the Bank defined opportunities to position ourselves as the first employer for young specialists as well as targets leading specialist in the sphere in the process of filling up a number of positions.

We prioritize internal promotions by filling up more than 30% of vacant positions thanks to promoting of our internal resources.

The Bank is transparent in its staff recruitment policy providing equal and fair opportunities to each applicant. Throughout 2019 the Bank twice implemented the "Build your career with IDBank" program providing opportunities to 26 graduate students to start their career with IDBank.



Career growth

We are strong due to our diverse and growing team. In 2019 the team has grown by around 100 new employees. Almost half of the Bank employees are representatives of the young generation and are ready for changes and growth due to modern mindset and positive ambitions.

The Bank attaches great importance to organization of trainings to ensure continuous professional growth using both the internal and external resources, and realizing that they contribute to the development of professional skills of the team in line with the main progress and innovations in the financial sphere.

Of special importance are continuous improvement of professional qualities of branch employees as a result of which the customer service quality reaches a higher level and allows to quickly climb the career ladder.

We value the continuous development of our management staff thus promoting the further development of our permanent staff, as well as encourage our management to participate in international trainings both in Armenia and abroad.

Throughout the year, more than 100 trainings have been held in the Bank, specialized training centers and outside Armenia.

Cooperation with universities

The importance of education is among the key priorities of the Bank. The Bank actively cooperates with a number of higher educational institutions and actively participates in "Career day" events presenting the opportunities of building a career with the Bank to the students.

In 2019 around 50 students have been involved in the working process of the Bank, attended practical trainings, the best of whom have been hired.

Stressing the importance of education, starting from 2019, the Bank also implements the IDBank scholarship program providing opportunities to the best students to continue their education for the master's degree with the IDBank scholarship of 1 million AMD.

2

Corporate management

Our shareholders and Council	21
Risk management	22

Shareholders of the Bank

Creditbank S.A.L.,
40.3%



"Fistoco" LTD,
59.7%

Council of the Bank

The Council of the Bank performs general management of the Bank's activity within the framework of questions in the scope of the Councils competence in accordance with the law and the charter of the Bank.

Among the powers of the Council are:

1. Determining the main directions of the Bank's activity, including the approval of the strategic development program,
2. Appointment of the members of the Bank's executive body,
3. Approval of internal control standards in the Bank,
4. Submission of recommendations to the General Meeting of Shareholders on paying dividends,
5. Preliminary approval of the Bank's annual financial statements and their submission to the General Meeting,
6. Passing decisions on placement of the Bank's bonds and other securities,
7. Opening branches, representations and offices of the Bank,
8. Conclusion of conflict of interest transactions in cases prescribed by legislation,
9. Passing decisions on other questions as prescribed by law or the charter of the Bank.



Vartan Dilanyan
Chairman of the Council

In 2011 joined Accenture as the executive director of Financial Services group in the Russian federation. Currently holds the position of the Head of "Accenture" representation in Russian and Kazakhstan.



Karen Margaryan

In 2003 joined the Global Economy R&D institute (Moscow). Currently holds the position of the director of Global Economy R&D institute and works at the Moscow Financial-Legal University's Economics and Management Chair as professor.



Maksim Morozov

In 2018 joined the Belarusian "Paritetbank". Currently holds the position of the Advisor to the Chairman of the Management Board of "Paritetbank"



Aleksandr Khachaturyan

Since 2018 has worked at "TK and Partners" CJSC as a partner. Currently is a founding member of the "Armenian Institute of Directors, as well as a council member of "Energetic Agency of Armenia".



Mazen A. Shehayeb

In 2010 joined the Lebanese "Credit Bank" S.A.L. Currently holds the position of foreign branches coordination manager at "Credit Bank" S.A.L.



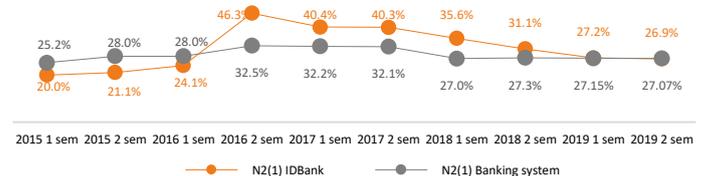
Main economic normatives

The two indicators describing the Bank's financial stability, the capital adequacy and liquidity, are above than the required minimum level and the corresponding indicators of the banking system. At the end of 2019 the capital adequacy normative amounted was at 28,6%¹, and the general and current liquidity normatives – at 26,9% and 164,5%² respectively.

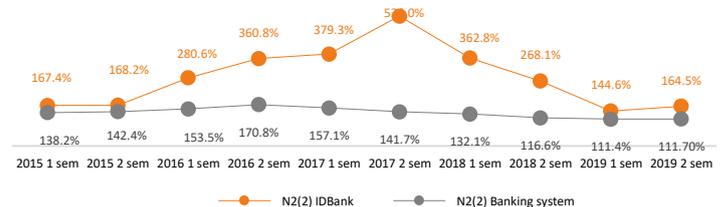
Capital adequacy normative N1(2)



General liquidity normative N2(1)



Current liquidity normative N2(2)



Main approaches to risk management

Credit risk management

In order to mitigate risks emerging in the lending process the Bank places the following principles within the lending process:

- ✓ Presence of loan purposefulness and sources of repayment
- ✓ The subject of pledge and the sensitivity of the latter to economic and market changes, as well as compliance with the loan/pledge ratio limits
- ✓ Current state of the economy sector of the potential borrower's activity, the experience of activities of the applicant in the given sector, the position in the sector, the competition degree and competition in the sector
- ✓ Presence of an operating business of the potential borrower, sustainable level of gross profit margin and/or good credit history
- ✓ Defining the limits of indicators describing the financial state of the potential borrower.

Credit risk management is also implemented through defining credit risk appetite and evaluation of the risk of the Bank's total portfolio.

The Bank is in the process of continuous development and modernization of credit risk management as well as introduction of modern methods, particularly, the Bank introduces new modern approaches and calculation models of credit risk management, scoring systems for the retail lending process, loan pricing system based on the risk levels of clients (Advanced [Risk-Based Pricing \(RBP\)](#) model).

Liquidity risk management

For the purpose of evaluation and limitation of liquidity risk the Bank performs daily calculation of the main economic normatives in terms of liquidity, based on which corresponding decisions are being passed. The Bank performs liquidity risk management through the following main models:

- ✓ Liquidity gap model,
- ✓ Analyses of liquidity normatives,
- ✓ Stress testing.

Interest rate risk management

For the purpose of evaluation and limitation of the interest rate risk the bank performs interest rate evaluation based on interest rates in the market and brings them in line with the market indicators, constantly controls the maturity gap between assets and liabilities sensitive to interest rate, and in case of change of the market interest rates the risk of possible losses of the Bank as a result of those changes is being brought down to the minimum through quick response.

Foreign currency risk management

The main principle of foreign currency risk management is to contribute to the process of effective management of the Bank's open FX positions while following maintenance of defined normative and benchmark indicators of foreign currency risk management.

Operational risk management

For the purpose of identification and classification of operational risks the Bank performs self-evaluation of risks, maintains a database of operational risk incidents and identification of fraud risk (through reports on "Performed, modified and deleted transaction", FPD/SPD/TPD data and monitoring of transactions performed in the Bank).

Prior to the introduction of new products, new and revised internal legal acts, banking operations, actions and systems, the Bank ensures the study of the latter and determines the degree of risk exposure of the process sequencing in order to identify potential risks from the point of view of OR.

Country risk management

In case of conclusion of debit transaction with organizations registered and/or actually operating in other countries, opening correspondent accounts and assuming off-balance contingent liabilities, the Bank performs evaluation of the risk of the given country of that organization at the moment of conclusion of a transaction with the given country for the first time and in the future as well, based on the rating assigned to the given country by one of the international rating companies (Moody's, Standard&Poor's, Fitch) and the limits defined by the internal procedure.

Reputational risk management

Reputational risk management aims at identifying the directions of the negative public opinion during the normal course of business of "IDBank" CJSC and defining the main directions of measures towards prevention/minimization of the reputational risk by the Bank.

The regulatory field applied in the Bank in terms of the abovementioned risks is regulated by internal legal acts of IDBank and relevant legal acts adopted by the RA Central Bank.

As of 31/12/2019 no violations in terms of normatives have been identified.

Strategic risk management

The main goal of strategic risk management is to minimize the emerging or potential losses as a result of adoption of an inappropriate business model. For the purpose of identification and evaluation of the possibility of strategic risk the Bank introduces standards the change of the status and value of which means change of the character of a certain direction of the Bank's activity, and, consequently, the ability to bear a qualitatively different strategic risk.

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Financial statements

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Statement on profit or loss and other comprehensive financial results

For the year ended December 31, 2019

	Notes	2019 AMD'000	2018* AMD'000
Interest income calculated using the effective interest method	4	12,325,560	11,634,191
Interest expense	4	(4,691,954)	(4,510,499)
Net interest income		7,633,606	7,123,692
Fee and commission income	5	891,540	738,970
Fee and commission expense	5	(797,076)	(454,591)
Net fee and commission income		94,464	284,379
Net foreign exchange gain	6	1,226,290	361,857
Net (loss)/gain on other financial instruments at fair value through profit or loss		(550,515)	165,636
Net realised gain on investment securities		1,324	1,481,635
Net other operating income	7	671,419	496,934
Operating income		9,076,588	9,914,133
Net impairment losses on financial instruments	8	(136,539)	(1,813,773)
Personnel expenses		(3,326,719)	(3,002,806)
Other general administrative expenses	9	(2,469,057)	(2,204,748)
Profit before income tax		3,144,273	2,892,806
Income tax expense	10	(588,765)	(709,836)
Profit for the year		2,555,508	2,182,970
Other comprehensive income/(loss), net of income tax			
Items that are or may be reclassified subsequently to profit or loss:			
Movement in fair value reserve for investment securities:			
- Net change in fair value	10	737,063	(86,988)
- Net amount reclassified to profit or loss	10	(1,059)	(1,185,308)
Total items that are or may be reclassified subsequently to profit or loss		736,004	(1,272,296)
Items that will not be reclassified to profit or loss:			
Sale of revalued property, equipment and intangible assets	10	-	(45,691)
Total items that will not be reclassified to profit or loss		-	(45,691)
Other comprehensive income/(loss) for the year, net of income tax		736,004	(1,317,987)
Total comprehensive income for the year		3,291,512	864,983

Statement of financial position

As of December 31, 2019

	Notes	2019 AMD'000	2018* AMD'000
ASSETS			
Cash and cash equivalents	11	17,086,349	11,260,756
Investment securities measured at fair value through other comprehensive income	12		
- Held by the Bank		6,502,509	4,728,200
- Pledged under sale and repurchase agreements		2,260,311	-
Investment securities measured at amortised cost	12		
- Held by the Bank		11,270,882	15,136,723
- Pledged under sale and repurchase agreements		11,829,493	5,587,003
Derivative financial assets		4,312	-
Loans and advances to banks and other financial institutions	13	7,555,855	13,068,992
Amounts receivable under reverse repurchase agreements	14	4,767,263	3,429,813
Loans to customers	15	77,379,245	61,470,502
Current tax asset		99,786	139,189
Property, equipment and intangible assets	16	5,810,745	5,061,844
Right of use asset	17	1,606,304	-
Repossessed assets	15	1,476,007	1,087,443
Other assets	18	2,407,470	1,103,491
Total assets		150,056,531	122,073,956
LIABILITIES			
Derivative financial liabilities		-	1,337
Deposits and balances from banks and other financial institutions	19	20,129,742	5,937,780
Amounts payable under repurchase agreements	20	16,292,695	6,771,902
Debt securities issued	21	6,700,803	10,823,040
Current accounts and deposits from customers	22	58,819,120	56,320,356
Deferred tax liabilities	10	1,389,630	617,324
Lease liability	17	1,638,420	-
Other liabilities	23	1,530,487	1,338,095
Total liabilities		106,500,897	81,809,834
EQUITY			
Share capital	24	33,971,850	33,971,850
Share premium		5,014,099	5,014,099
Revaluation surplus for buildings		110,808	110,808
Fair value reserve for investment securities		842,981	106,977
Retained earnings		3,615,896	1,060,388
Total equity		43,555,634	40,264,122
Total liabilities and equity		150,056,531	122,073,956

* The Bank initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application

Cash flow statement

As of December 31, 2019

	Notes	2019 AMD'000	2018* AMD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		11,807,607	11,012,778
Interest payments		(4,300,316)	(4,822,049)
Fee and commission receipts		891,540	738,970
Fee and commission payments		(797,076)	(454,591)
Net payments from financial instruments at fair value through profit or loss		(556,359)	(52,828)
Net receipts from foreign exchange		848,241	638,962
Other income receipts		526,668	381,597
Personnel and other general administrative expenses payments		(4,957,374)	(4,768,296)
(Increase)/decrease in operating assets			
Amounts receivable under reverse repurchase agreements		(1,337,205)	3,075,123
Loans and advances to banks and other financial institutions		2,735,830	(1,877,157)
Loans to customers		(15,669,226)	(9,413,928)
Other assets		(695,093)	(208,535)
Increase/(decrease) in operating liabilities			
Deposits and balances from banks and other financial institutions		13,645,608	(326,129)
Amounts payable under repurchase agreements		9,545,547	6,757,099
Current accounts and deposits from customers		2,913,084	(7,569,030)
Other liabilities		215,094	499,054
Net cash provided/(used) in operating activities before income tax paid		14,816,570	(6,388,960)
Income tax paid		-	(33,000)
Cash flows from/(used in) operating activities		14,816,570	(6,421,960)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment securities		(8,368,271)	(5,194,557)
Proceeds from sale and repayment of investment securities		2,737,112	6,457,542
Purchases of property, equipment and intangible assets		(1,980,597)	(593,278)
Dividends received		144,751	-
Cash flows (used in)/from investing activities		(7,467,005)	669,707
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt securities	21	4,252,464	2,418,750
Repayment of debt securities issued	21	(8,207,150)	(2,422,500)
Repayment of lease liability	17	(282,238)	-
Cash flows used in financing activities		(4,236,924)	(3,750)
Net increase/(decrease) in cash and cash equivalents		3,112,641	(5,756,003)
Effect of changes in exchange rates on cash and cash equivalents		(37,750)	(212,494)
Effect of changes in ECL on cash and cash equivalents		1,390	-
Cash and cash equivalents as at the beginning of the year		11,260,756	17,229,253
Cash and cash equivalents as at the end of the year	11	14,337,037	11,260,756

Statement on changes in equity

As of December 31, 2019

AMD'000	Share capital	Share premium	Revaluation surplus for buildings	Fair value reserve for investment securities	Retained earnings	Total equity
Balance as at 1 January 2018	33,971,850	5,014,099	156,499	1,379,273	(1,122,582)	39,399,139
Total comprehensive income						
Profit for the year	-	-	-	-	2,182,970	2,182,970
Other comprehensive loss						
Items that are or may be reclassified subsequently to profit or loss:						
- Net change in fair value of investment securities, net of deferred tax	-	-	-	(86,988)	-	(86,988)
- Net change in fair value of investment securities transferred to profit or loss, net of deferred tax	-	-	-	(1,185,308)	-	(1,185,308)
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	(1,272,296)	-	(1,272,296)
Items that will not be reclassified to profit or loss:						
Change in revaluation reserve of buildings, net of deferred tax	-	-	(45,691)	-	-	(45,691)
Total items that will not be reclassified to profit or loss	-	-	(45,691)	-	-	(45,691)
Total other comprehensive loss	-	-	(45,691)	(1,272,296)	-	(1,317,987)
Total comprehensive income for the year	-	-	(45,691)	(1,272,296)	2,182,970	864,983
Balance as at 31 December 2018	33,971,850	5,014,099	110,808	106,977	1,060,388	40,264,122
Balance as at 1 January 2019*	33,971,850	5,014,099	110,808	106,977	1,060,388	40,264,122
Total comprehensive income						
Profit for the year	-	-	-	-	2,555,508	2,555,508
Other comprehensive income						
Items that are or may be reclassified subsequently to profit or loss:						
- Net change in fair value of investment securities, net of deferred tax	-	-	-	737,063	-	737,063
- Net change in fair value of investment securities transferred to profit or loss, net of deferred tax	-	-	-	(1,059)	-	(1,059)
Total items that are or may be reclassified subsequently to profit or loss	-	-	-	736,004	-	736,004
Total other comprehensive income	-	-	-	736,004	-	736,004
Total comprehensive income for the year	-	-	-	736,004	3,615,896	3,291,512
Balance as at 31 December 2019	33,971,850	5,014,099	110,808	842,981	3,615,896	43,555,634

* The Bank initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application

Statement of competent authorities

We hereby assure that to the best of our knowledge:

1. The financial statements accurately and completely reflect the real picture of the Bank's assets, liabilities, financial position, income and expenses, and the annual report of the management bodies accurately and completely reflects the Bank's general condition, business results and development, and includes the description of the main risks with which the Bank has been or is related to.
2. The 2019 audited financial statements are prepared in accordance with the international financial reporting standards and, in all essential respects, accurately and completely reflect the real picture of the Bank's assets and liabilities, financial position, income and expenses as of December 31, 2019.

Mher Abrahamyan	Chairman of the Management Board
(First name, Last name)	(position)
Arman Asatryan	Financial Director, Management Board Member
(First name, Last name)	(position)
Karen Nalbandyan	Business Development Director, Management Board Member
(First name, Last name)	(position)
Rafik Suvaryan	Risk Management Director, Management Board Member
(First name, Last name)	(position)
Anushik Khachatryan	Chief Accountant, Management Board Member
(First name, Last name)	(position)
Sergey Arakelyan	Digital Banking Director, Management Board Member
(First name, Last name)	(position)
Tigran Mkhitarian	Corporate Business Director, Acting Management Board Member
(First name, Last name)	(position)