



Annual Report

| 2017

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Vartan Dilanyan

"ID Bank" CJSC
Chairman of the Council

Address of the Chairman of the Council

Dear Customers, Investors and Partners,

In 2017, it was a turning point in terms of complex transformation for the Bank. We have chosen the path of deep modernization of IDBank, to ensure high quality customer service, various innovations and significant progress in digitalization. The rapidly changing world is posing various challenges in front of financial institutions globally, and we at IDBank know how to address these challenges.

We are striving to become the First Choice Bank for our customers - as the Best Innovative Bank. In order to achieve this goal the Bank needed structural changes in its operating model, therefore Digital Banking and Operational directorates have been established to promote new digital technologies and to dramatically increase the quality of services provided to customers.

In 2017, the Bank also pursued its active operations in providing investment services – four tranches of bonds were issued, which were placed ahead of the defined terms.

I would state with pleasure that IDBank developed its leading positions in the banking sector of Armenia.

I express my deepest gratitude to our Customers, Investors, Partners and Employees for trust and mutually beneficial cooperation. We are committed to continue IDBank modernization to achieve our goals, and I am positive that in 2018 we all will see the first successful results of our initiatives.

Respectfully,
V. Dilanyan

Strategic Report

Chapter

Market overview

Economic Developments*

In 2017, the global economy demonstrated a growing trend driven by the expansionary monetary and fiscal policies implemented in the emerging economies and developed markets, as well as by the investment and export growth.

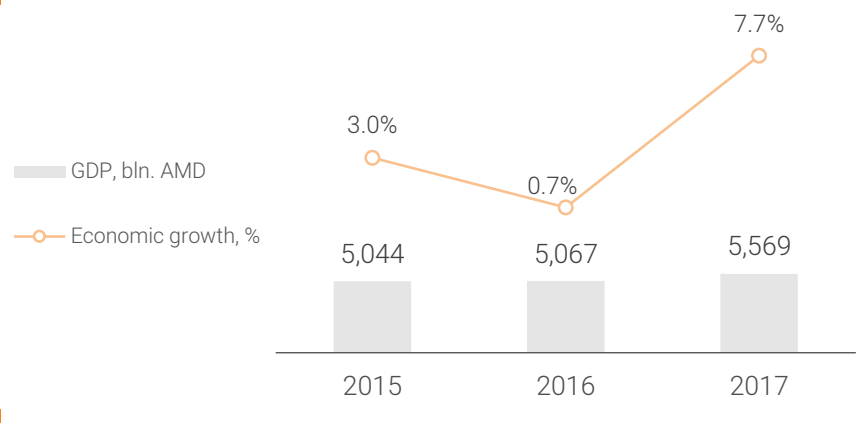
According to IMF, the global economic growth in 2017 contracted 3.8% (against the 3.2% growth in 2016).

This trend of economic growth has also influenced on the pricing as a result the inflation rate in the emerging economies reached the level of 1.7% and in the developed markets - 4.0%.

In 2017, Armenia demonstrated an economic growth of 7.5% too. The manufacturing industry and services sectors mainly grew due to an increase in the external and domestic demand indicators. The agricultural sector showed an annual decline.

Economic growth led to the increase in both the income and loan burdens of households.

Volume of gross domestic product and economic growth rate



The consumer prices in Armenia comprised 2.6%, staying within its target range.

In 2017, the fluctuation in the Armenian currency market was low while Armenian dram depreciated against the major foreign currencies.

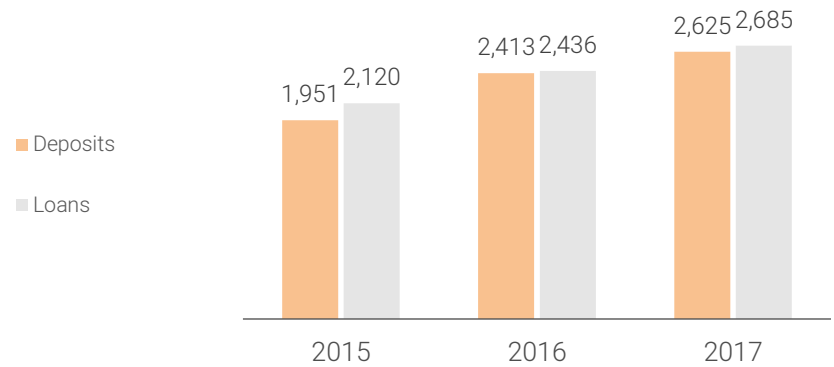
Development of the Armenian banking sector

The developments in the economic system were reflected in the performance of the Armenian banking sector. The increase in domestic demand contributed to the growth of the extended loans volume and to the enhancement of the loan portfolio quality of the banking sector. The share of non-performing loans of the banking sector has dropped to 5.1%.

The growth of loan offer was conditioned by the high economic activity and the high level of competition between the commercial banks. Because of the competition, there were improvements in the terms and conditions of loan products as well as loan extending procedures were simplified to attract more clients.

*The statistical data published by the RA National Statistical Service and the Central Bank of RA are used in the analysis of the economic developments and the development of the Armenian banking system.

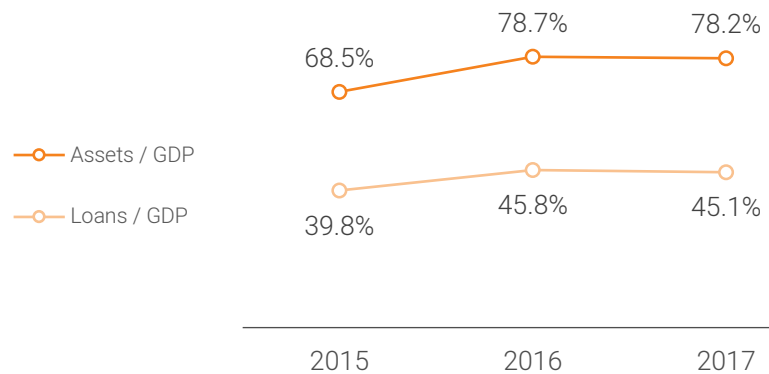
Deposits and loans of banking sector, bln. AMD



All these was also effected by the reduction of the refinancing rate (in February 2017 the Council of Central Bank of Armenia reduced the refinancing rate from 6.25% to 6.0%).

In 2017, the ratio of the banking sector assets to GDP comprised 78.2% (the share of the banking sector assets in the total financial system was equal to 85.5%) and the ratio of the banking sector loans to GDP comprised 45.1%.

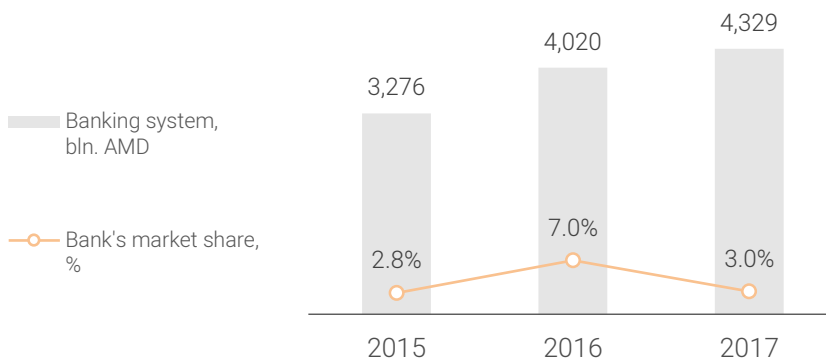
Ratio of assets and loans of banking sector to GDP, %



Competitive positions of the Bank

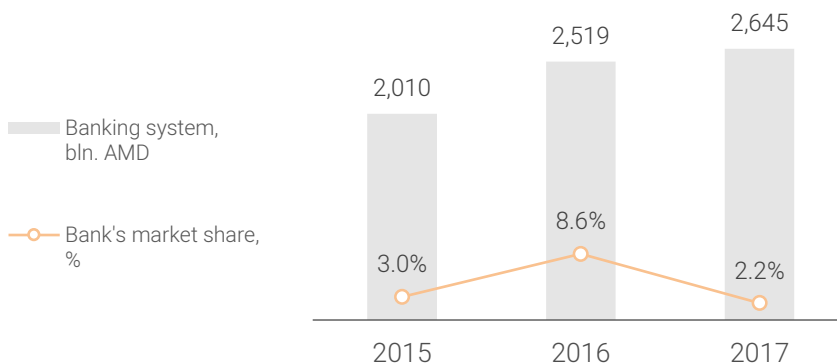
In response to the economic recovery over 2017 the Armenian banks pursued their credit expansion policy. In 2017, the volume of the total assets of the banking sector* rose by 7.7% compared to the previous year - constituting AMD 4,329 bln. At the same time, the top 5 banks' market share constituted 55.0%. In 2017, the Bank ranked the 14th place with a market share of 3.0% .

Total assets



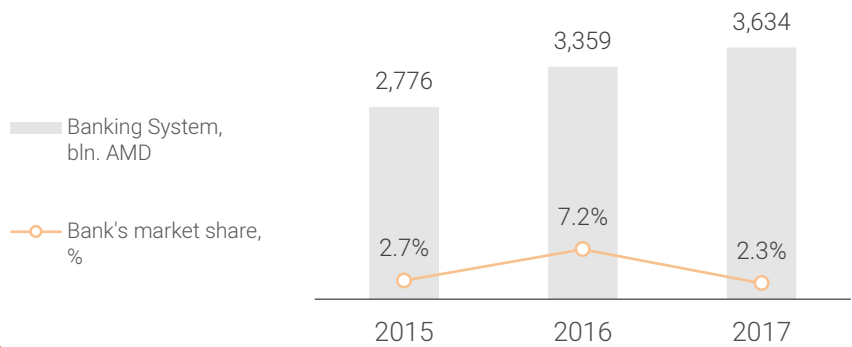
The loan portfolio of the banking sector rose by 5.0% compared to the previous year and constituted AMD 2,645 billion. In 2017, share of the loan portfolio of the banking sector in the assets contracted 61.1%. In 2017, the Bank ranked the 14th place with a market share of 2.2%.

Loans to customers



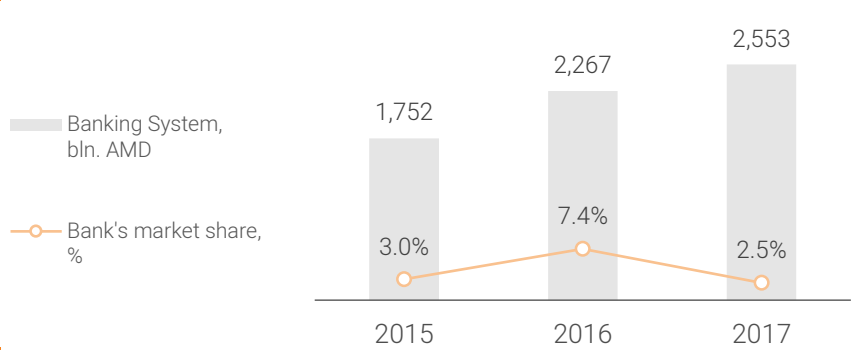
In 2017, the volume of the total liabilities of the banking sector increased by 8.2% compared to 2016 and contracted AMD 3,634 bln. At the same time, the top 5 banks' market share constituted 57.8%. In 2017, the Bank ranked the 14th place with a market share of 2.3%.

Total liabilities



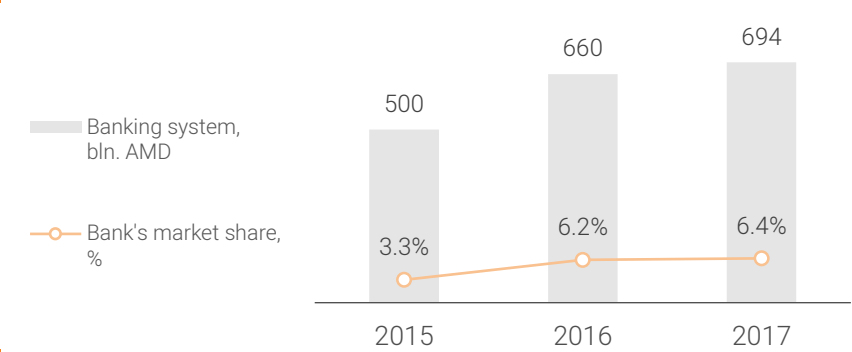
In 2017, share of the current accounts and deposits from customers of the banking sector contracted 70.3% of the total liabilities. Compared to the previous year, the volume of the current accounts and deposits from customers rose by 12.6% and constituted AMD 2,553 bln. In 2017, the Bank ranked the 14th place with a market share of 2.5%.

Current accounts and deposits from customers



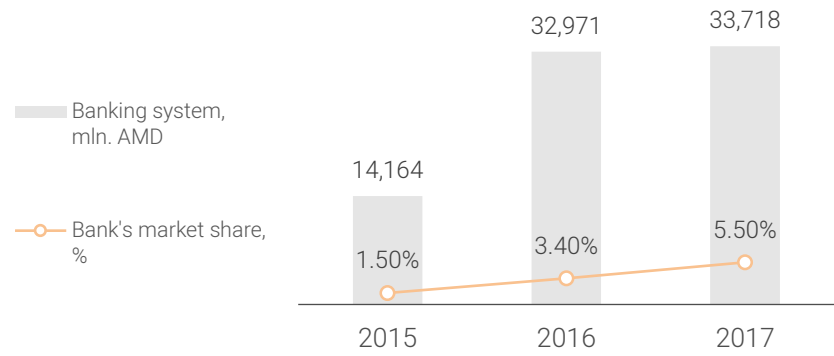
The total equity of the banking sector rose by 5.1% in 2017 compared to the previous year. In 2017, the Bank ranked the 5th place with a market share of 6.4%.

Total equity



Net profit of the banking sector in 2017 contracted AMD 33,718 mln. demonstrating 2.3% growth compared to the previous year. In 2017, the Bank ranked the 9th with a net profit equaled to AMD 1,847 mln. and with a market share of 5.5%. At the same time, the Bank's net profit in 2017 increased by 65.4% versus the previous year.

Profit for the year



Mission & Values

The year of 2017 became a significant year for the Bank: the Bank approved a digital transformation strategy and took its first steps in transition from the traditional banking to the digital one.

On this pathway, the Bank continues to attach great importance to the establishment and maintenance of the reliable and sustainable relationship with its clients and partners. This approach is reflected in the Mission, Vision and Values of the Bank.

Mission

To be the first - choice Bank for the clients as the best innovative bank.

Vision

To become a leading bank in the financial system of the Republic of Armenia by providing its clients with customer tailored services with modern digital solution.

Values

We are innovative

We prioritize our customers' needs building an innovative ecosystem.

We are transparent

We prioritize transparency with our clients, investors and society performing banking operations in accordance with the best international corporate standards.

We are credible

We prioritize the trust of our customers and partners cooperating with them as a reliable partner.

We are loyal

We prioritize the loyalty of our clients and employees providing them with sustainable competitive advantages.

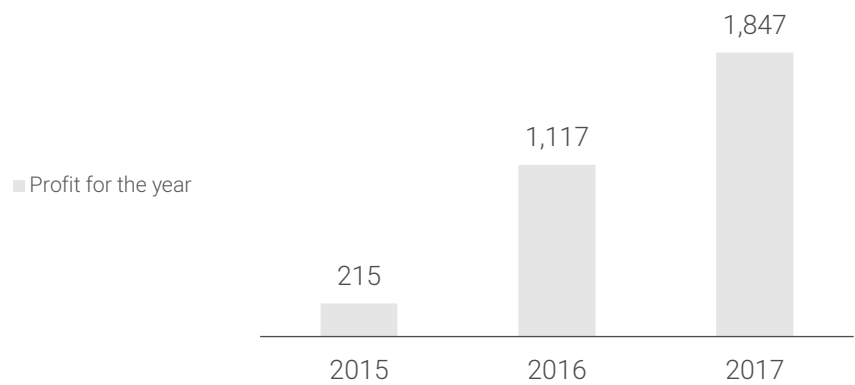
We are a team

We prioritize the harmonic teamwork performed towards the achievement of overall result

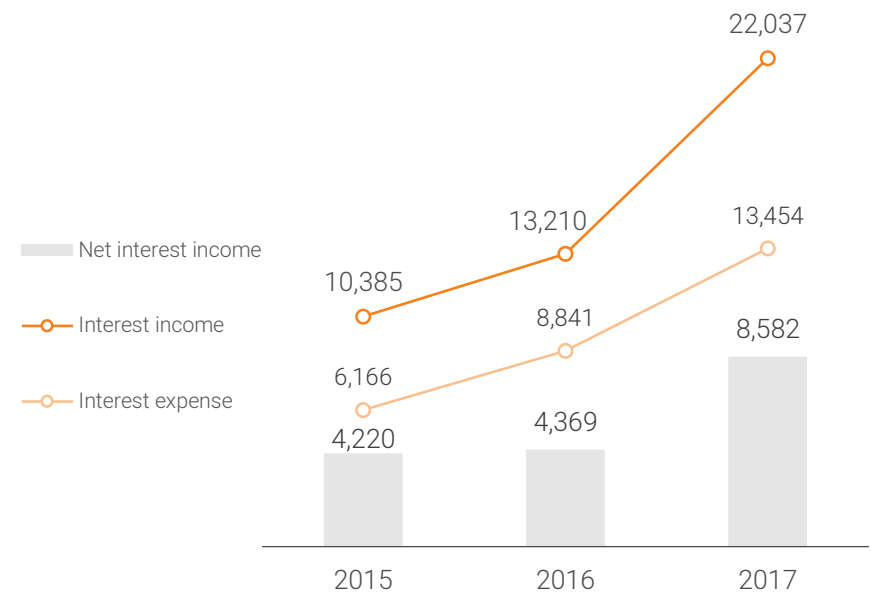
Results of the implementation of the Development Strategy for 2017

The Bank successfully completed the year of 2017 with the amount of AMD 1,847 mln. of net profit (as measured under IFRS), which exceeds the amount contracted in 2016 by 65.4% (in 2016 it constituted AMD 1,117 mln.). The operating income before provisions increased by 71.6%, mostly due to the net interest income, and comprised AMD 10,935 mln.

Profit for the year, mln. AMD



Net interest income, mln. AMD

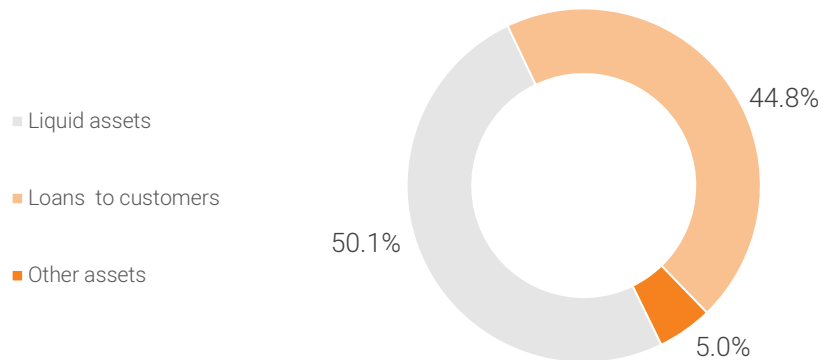


In 2017, the assets of the Bank decreased by 54.4% and comprised AMD 128,858 mln.

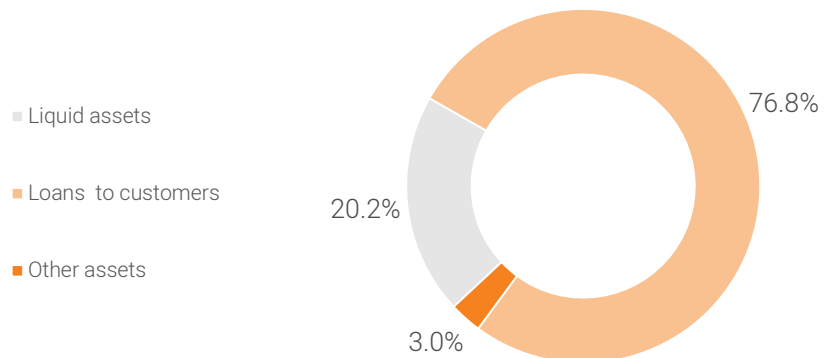
This is due to the fact, that in the fourth quarter of 2017, the Bank temporarily suspended international market financing and major investment projects, focusing on the development and financing of the Armenian market while restraining the possible risks.

Because of this policy, the volume of credit investments was declined and the structure of the assets was changed.

Structure of the assets | 2017, %



Structure of the assets | 2016, %

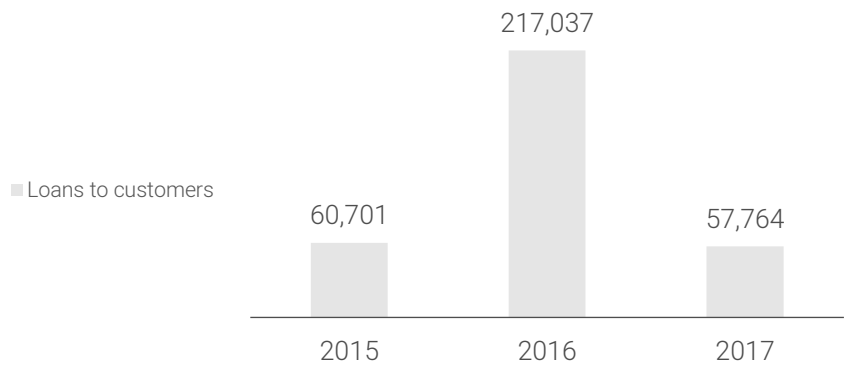


In 2017, the share of loans to customers in the assets decreased to 44.8%.

In the same period, the share of liquid assets, including cash and cash equivalents, Loans and advances to banks and other financial institutions, securities portfolio, comprised 50.1%.

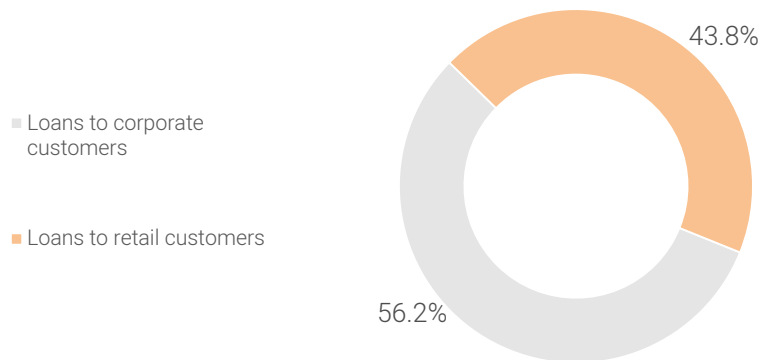
In 2017, the volume of loans to customers comprised AMD 57,764 mln. with a decline of 73.4% compared to the previous year.

Loans to customers, mln. MAD

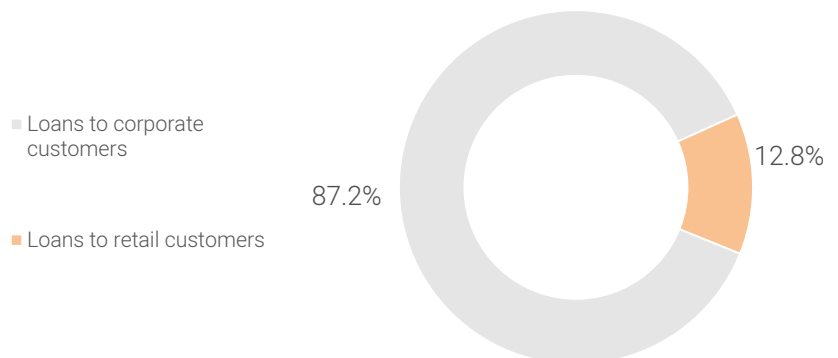


The volume of gross loan portfolio in 2017 reduced by 71.6% to AMD 62,023 mln. mostly due to the drop of the volume of the loans to corporate clients. As a result, in the end of 2017 the structure of the gross loan portfolio was changed: the share of loans to individuals comprised 43.8% (12.8% in a year earlier) and the share of loans to corporate clients comprised 56.2% (87.2% in a year earlier).

Structure of the gross loan portfolio | 2017, %



Structure of the gross loan portfolio | 2016, %



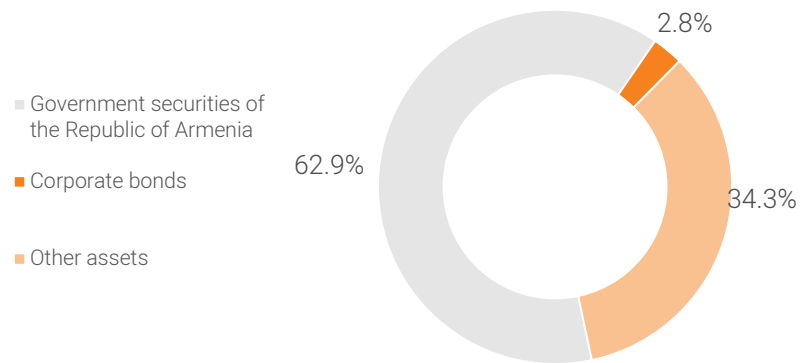
The provision coverage level of the total loan portfolio increased compared to 2016 and comprised 6.9% at the end of 2017.

The securities portfolio grew by 35.7% in 2017 y-o-y and comprised AMD 35,910 mln.

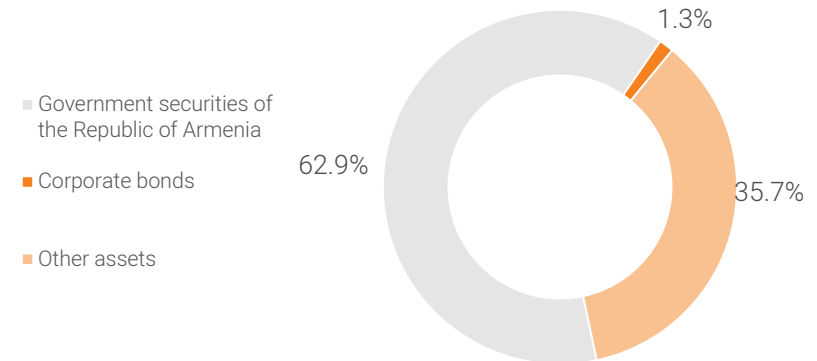
The securities portfolio is represented mainly by debt and other fixed income instruments (its share in securities portfolio in 2017 comprised 81.4%), which are used primarily for liquidity management.

At the end of 2017, Armenian federal bonds are the main component of the securities portfolio with a share of 62.9% (with the growth by 35.6% compared to 2016). The share of corporate bonds in the securities portfolio comprised 2.8% with the y-o-y growth of 188.6%.

Structure of the securities portfolio | 2017, %

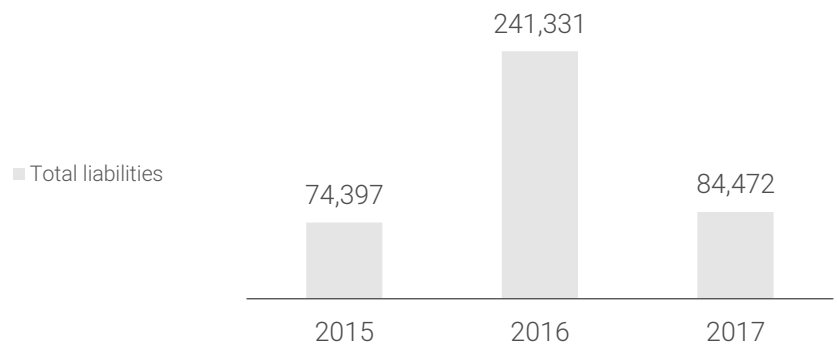


Structure of the securities portfolio | 2016, %

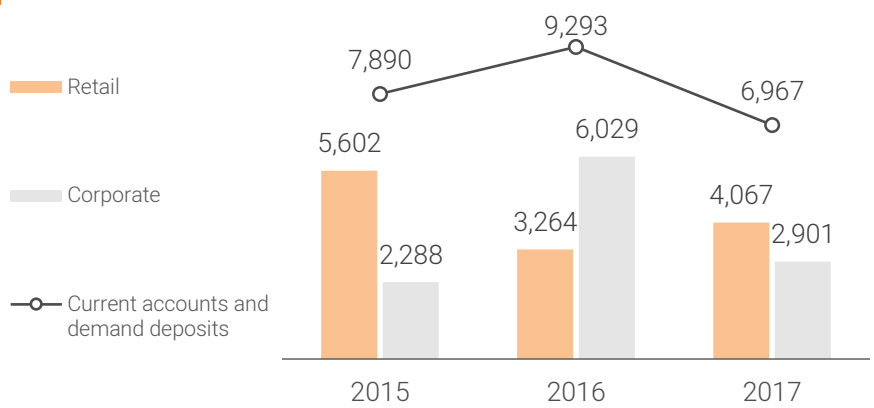


In summary, the total liabilities of the Bank decreased in 2017 by 65% and comprised AMD 84,472 mln.

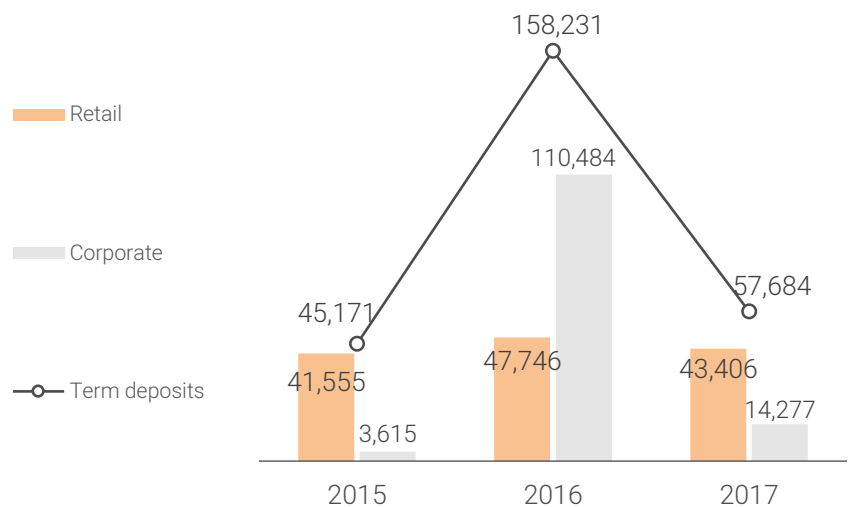
Total liabilities, mln. AMD



Current accounts and deposits from customers, mln. AMD



Term deposits, mln. AMD



Key priorities of the Development Strategy for 2018-2020

When developing its strategy, the Bank is guided by the implementation of the Bank's vision.

In January 2018, the Council of the Bank approved a new Development Strategy for 2018– 2020 and clearly defined strategic priorities for the Bank's development.



FINANCIAL EFFICIENCY

Achievement of a high level of financial performance remains the main priority for the development of the Bank through continuous improvement of the key financial metrics characterizing the Bank's activities

Particularly, in the targets of the 3-year Development program are:

>AMD 8,500 mln.

net profit for the year of 2020;

>15%

ROE at the end of 2020;

>AMD 115,000 mln.

volume of loan portfolio at the end of 2020



TECHNOLOGICAL BREAKTHROUGH

The Bank plans to implement advanced technologies in the key fields of the banking business, automating a number of business processes while simultaneously ensuring a high-level system stability.

As a part of the digital transformation of the Bank, one of the main goals is building and continuously improving a new technological platform through clients' need.



BUSINESS EXCELLENCE

In order to achieve the targeted financial efficiency the Bank has to carry out a digitalisation of the main and support business lines, implement new tools and improve the performance and effectiveness of the key areas of business activity.

For this purpose the Bank intends to implement a number of programs, in particular:

- ✓ implementation of client loyalty program;
- ✓ implementation of personal client managers' institute for corporate clients;

Key priorities of the Development Strategy for 2018-2020

- ✓ development of digital ecosystem based on the retail clients' needs;
- ✓ release of internet-bank and mobile-bank services with entirely new functionality, features and tools to provide complete customer service;
- ✓ development of personalized and client centric products based on big data analysis;
- ✓ development of new channels and formats for customer service, provision of remote services in 24/7 mode,
- ✓ development of a wide range of investment products for corporate and retail clients.
- ✓ automation of risk assessment indicators and the credit decision-making process.
- ✓ optimization of the branch network, release of modern-format branches as fully digitalized branches with self-service zones, new generation ATM-terminals, etc.
- ✓ implementation of the CRM system;
- ✓ continuous development of digital channels to create stable relationship with clients and to attract new target markets.



IMAGE & BRAND AWARENESS

Since 2018, operating under the new trademark and brand the Bank will introduce a personalized approach, high quality service and innovative solutions offering a completely new banking environment always striving to exceed its clients' expectations.

The Bank's marketing strategy is aimed at promoting the offered products and services by using various tools, including advertising, online communication, campaigns, special offers etc.

By solidly raising the Brand awareness and strengthening the ideology of the new image, in its three-year development program the Bank has targeted to be in a leading position among the Armenian banks as the best innovative digital bank.



TEAM & CULTURE

The Bank's HR strategy is aimed at revealing the potential of each employee, which is intended to facilitate well-balanced development of the Bank in line with its selected strategy.

One of the primary goals for the Bank in this direction is the involvement of IT professionals, the implementation of a professional orientation system for young employees and a long-term motivation system for key management personnel, the growth of the personal contribution of an employee in the implementation of innovations, the implementation of the Talent Management System.

By maintaining the staff's strong team spirit and making the corporate culture more flexible, in its three-year development program the Bank has targeted to be in a leading position among the Armenian banks as the best employer for young professionals.

Primary Stakeholders

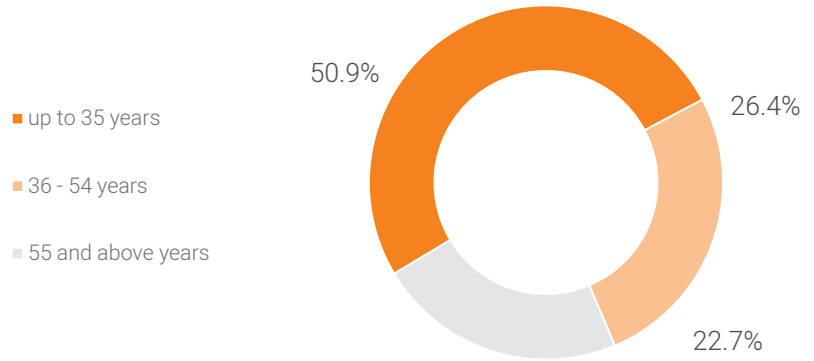
Chapter

Customers

The Bank is a full-service commercial bank that provides a wide range of financial products to meet the needs of our corporate and private customers.

In 2017, the Bank has attracted more than 14,700 new clients, of which over 50% are under the age of 35 years (in 2016, the share of new clients of this age group was about 48% in the total number of clients attracted in the same period).

Structure of new customers broken down by age | 2017, %

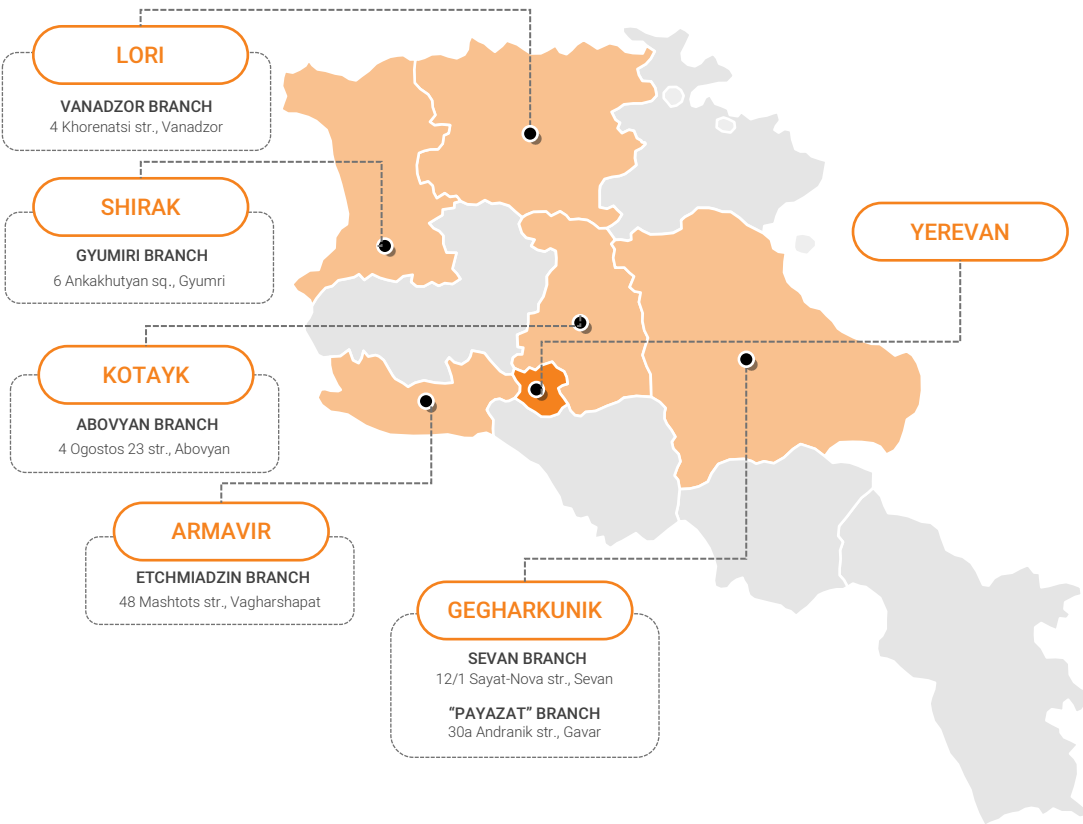


Branch Network

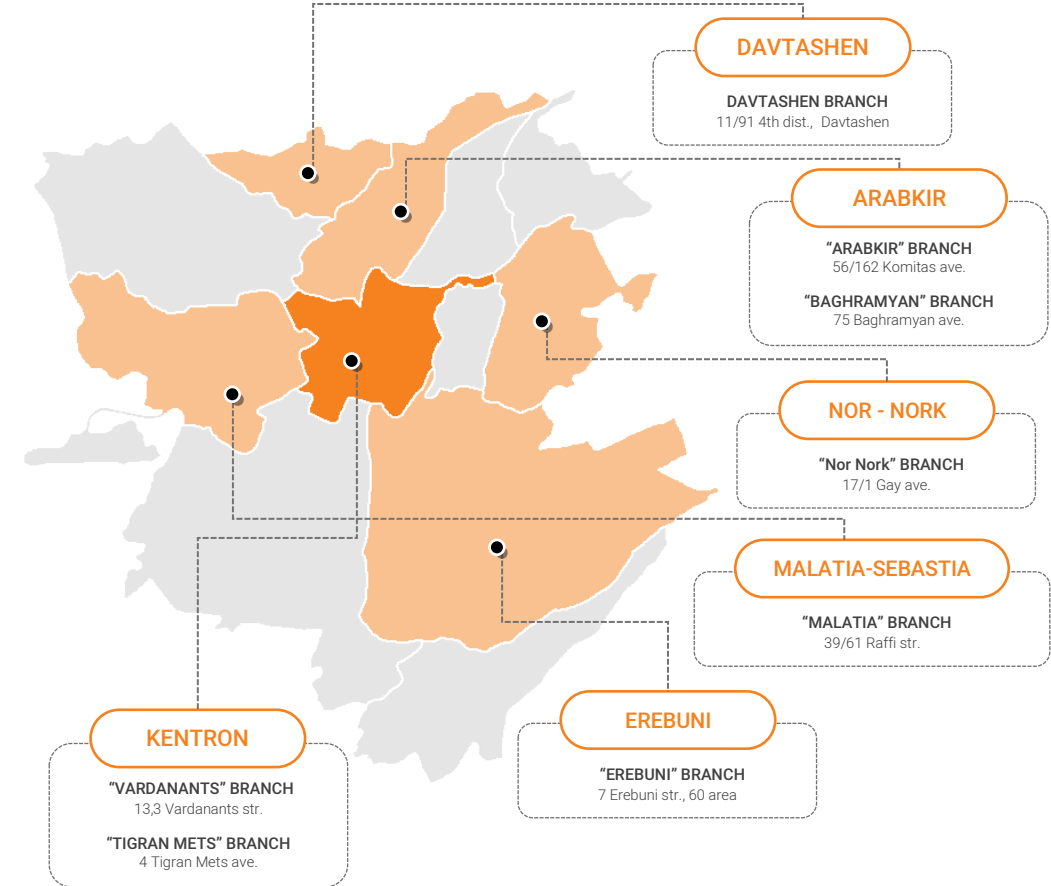
The Bank provides comprehensive service through its 14 branches in the city of Yerevan and the regions. The Bank offers a full package of services based on the principals such as long-term partnership with clients, provision of popular banking products, up-to-date technological solutions, high quality services and conservative risk management policy.

The Bank aims to secure long-term, balanced growth for all of its business lines in the regions in which it operates while additionally optimizing the branch network by opening new branches or by closing/relocating the inefficient ones.

Republic of Armenia



The city of Yerevan



Customer Relations

Guided by its key values the Bank is aimed to be a more efficient financial partner for the customers.

Paying a great deal of attention to the customer feedbacks the Bank submits customers' requests via a number of channels such as boxes placed in the Bank's regional offices, the Bank's official pages in social networks, support@idbank.am email address, the Bank's Call Center.

The Bank pays great attention to any feedback sent from customers. Every valid complaint and claim is carefully analyzed by the quality manager and is directed to the relevant subdivisions to solve the problem in tight deadlines.

Over the course of 2017, about 40 letters of commendation were given for a high level of service to clients and 120 letters of complaints.

In 2018, the Bank is planning to assess the client service quality by receiving feedback from customers via electronic systems placed at each front-office employee and regularly monitoring the key metrics.

Customer Service

In order to increase the efficiency of customer service, in 2017 the Bank has introduced the Client Manager -Teller Institute for customer service. Standardization, optimization, clear separation of the functions of Client Managers and Tellers, and improvement of service area zonal distribution promotes customer service quality improvement at the Bank's branches.

In 2017, the Bank has received ISO 9001: 2015 Quality Management System Compliance certificate what certifies that the company is client-oriented, consistently provides services complying with legal and regulatory requirements, continually improves the customer service quality by raising customer satisfaction as well as continuously improving operations of the Company.

Privilege Banking Services

In December 2017, the Bank formed the Privilege Banking unit to provide its clients personalized and Privilege banking services.

The Privilege banking service package includes service in a comfortable environment, personalized consultant service, special rates for a variety of products and banking services, travel insurance, and more.



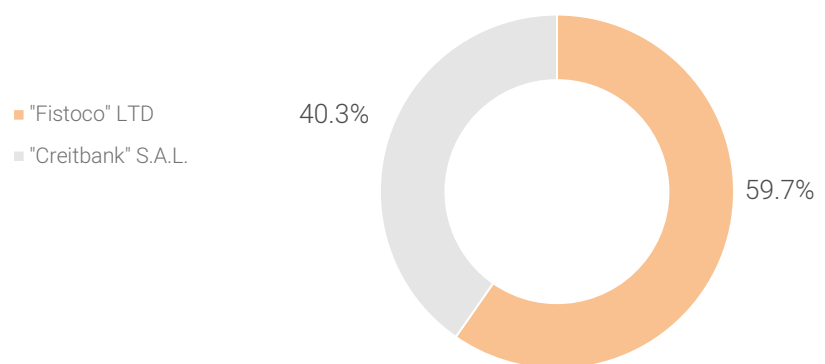
Shareholders & Investors

The Bank highlights its shareholders' and investors' interests and rights, creating favorable conditions for them, ensuring transparency and investment attractiveness.

Shareholders

In 2016, a new shareholder was involved in the shareholders' structure of the Bank – "Fistoco" LTD; as a result, "Fistoco" LTD had 59.7% and "Creditbank" S.A.L. had 40.3% of shares by the end of 2016. In 2017, the share capital of the Bank did not change and it comprised AMD 38,985 mln. by the end of the year (as of 31.12.2016 the share capital of the Bank comprised AMD 38,985 mln.).

The structure of charter capital | 2017, %

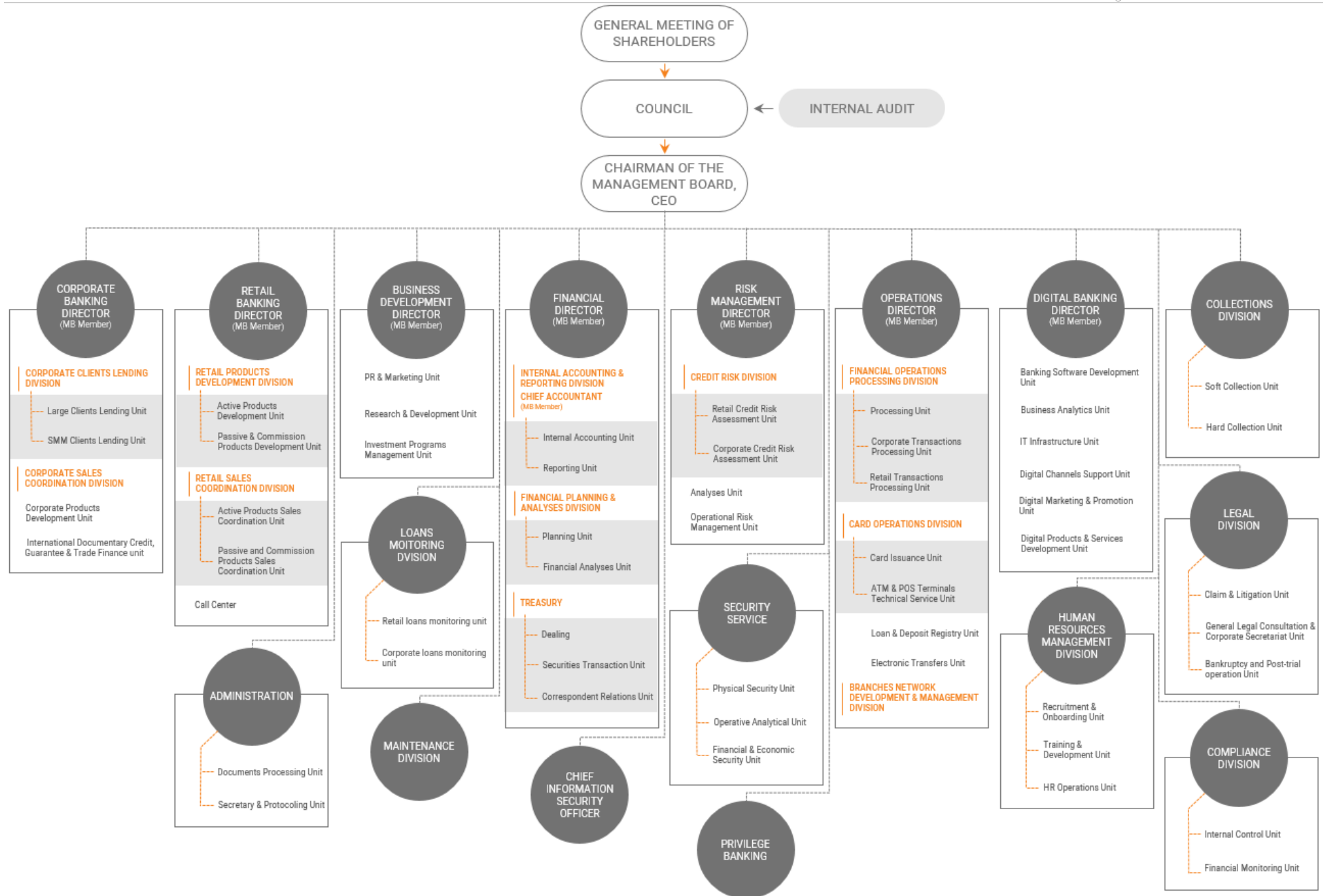


As of 31 December 2017, the Council of the Bank consists of 5 members. The Chairman of the Council is Mr. Vartan Dilanyan.

Corporate Governance System

The corporate governance system functioning in the Bank meets international best practice and the RA legislation, and has proven its effectiveness over time.

In order to ensure the continuity and development of all the Bank's business processes, the Bank has Corporate Business, Retail Business, Business Development, Financial, Risk Management, Operations and Digital Banking Directorates.



In 2017 the Operations and Digital Banking Directorates were separated in the Bank. The formation of the Operational Directorate is conditioned by the necessity to improve the quality of customer service and to increase the effectiveness of the management of territorial subdivisions. The formation of Digital bank Directorate is driven by the Bank's strategy for digitalization.

To manage the Bank's current operations, the Bank has:

- | Risk Management Committee by the Council
- | Internal Audit Service by the Council
- | General Credit Committee
- | Business Credit Committee
- | Retail Credit Committee
- | Investment (Asset & Liability Management) Committee
- | Non-performing Assets Committees
- | Business Development Committee
- | Procurement Committee

Each of the Committees makes decisions within its authority and exercises control over the execution of decisions.

Internal Control and Risk Management

The proper organization of the internal control system is crucial for ensuring the efficiency of the Bank's operations.

The main principles and approaches of the risk management system embedded in the Bank are:

- ▶ Ensuring compliance of the Bank's regulatory framework with the requirements of the CBA and international financial institutions,
- ▶ Ensuring compliance of the Bank's internal legal acts with the RA legislative requirements;
- ▶ Ensuring sustainability of processes carried out by the Bank;
- ▶ Prevention or reduction of possible internal and external conflicts of interest,
- ▶ ensuring the Bank's prudential development;
- ▶ Using double-check, risk management systems and models for risk reduction;
- ▶ Implementation of risk disclosure, assessment / measurement / forecasting, monitoring and reporting cycles in the risk management system;
- ▶ Making recommendations to the Bank's management bodies on further development of the Bank;

- ▶ Ensuring sustainability of the Bank through using potential stress scenarios and stress testing models.

The following steps are taken for fulfilling the compliance and internal control system tasks:

- ▶ Control over the compliance of the Bank's activities with RA legislation and internal legal acts approved by the Bank's competent authorities;
- ▶ Implementation of measures for creating and maintaining effective reporting system;
- ▶ Assessing the impact of new legislative acts on the Bank's activities;
- ▶ Detecting the Bank's involvement in money laundering, legalization of illegal income, terrorism financing and implementation of measures against such transactions;
- ▶ Organizing inspections over the business processes and existing issues in the Bank;

Internal Audit Service

The Internal Audit Service of the Bank performs on the principles of independence, impartiality and objectivity and aims to promote the implementation of strategic plans of the Bank.

The Internal Audit Service is independent from other structural and territorial units of the Bank, it reports to the Council of the Bank, checks and evaluates the efficiency of financial and economic activity of the Bank's structural and territorial subdivisions and elaborates mechanisms for addressing the identified issues.

Investors

The Bank pays great attention to providing investment services and introduction of new products in order to attract loyal investors both corporate clients and individuals.

In 2017, the international Moody's Investors Service Agency awarded the Bank with B2 Rating for "Long-term Local and Foreign Currency Deposits" with sustainable perspective. The rating was awarded for the fairly high capital adequacy, significant profitability, high asset quality and liquidity levels of the Bank.

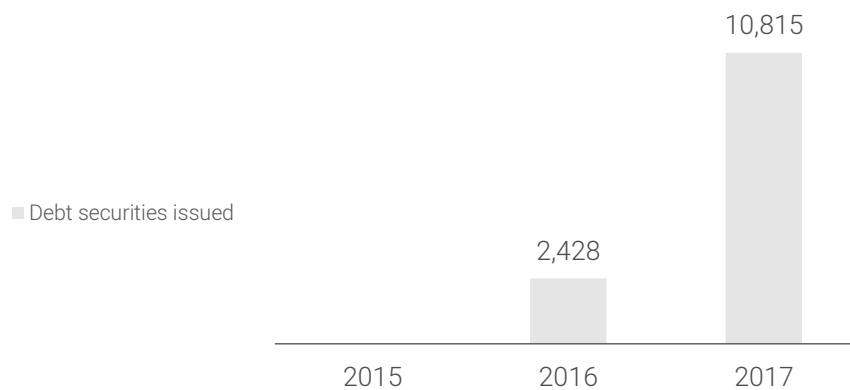
Since November 2016, the Bank has become to the member of the Integrated Securities Registration and Settlement System of the "Central Depository of Armenia" OJSC with the status of Account Operator and Regulatory Market Settlement System member and provides services for "Central Depository of Armenia" OJSC, including: maintains joint stock companies registry, and all depository services for securities.

In 2017, the Bank continued the process of issuing bonds, which started last year, offering the public more flexible instrument with a higher yield, than deposits.

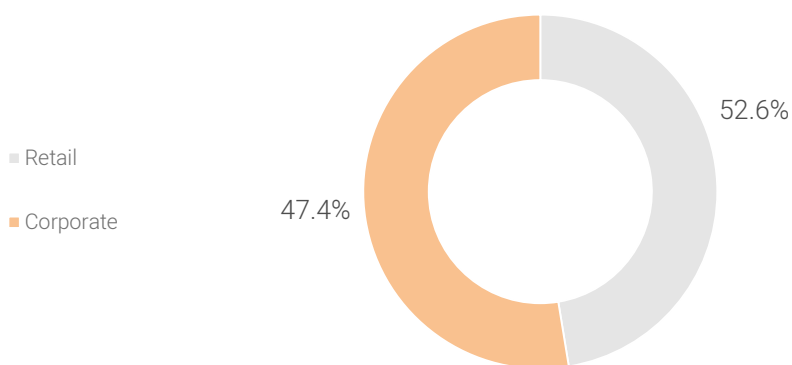
The bank has already issued 5 tranches of nominal coupon bonds in USD and AMD totaling to USD 20 mln and AMD 1,000 mln all of them being placed ahead of the indicated schedule and listed in NASDAQ OMX Armenia.

In 2017, the Bank has issued bonds with the nominal value of USD 15 mln and AMD 1,000 mln, result of which the volume of debt securities issued in 2017 has grown more than 4.5 times, totaling to AMD 10,815 mln.

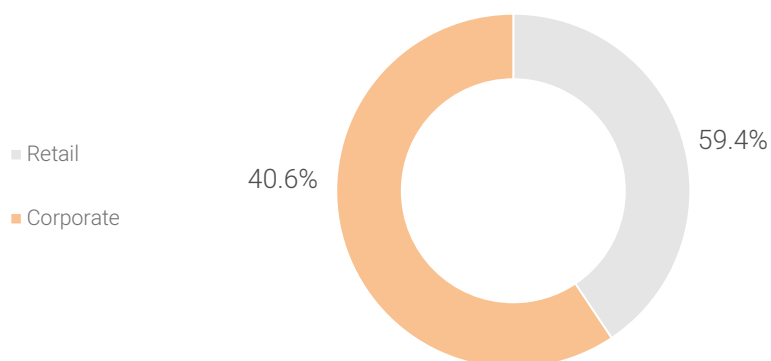
Debt securities issued by the Bank, mln. AMD



The structure of debt securities issued by the Bank | 2017, %



The structure of debt securities issued by the Bank | 2016, %



With the goal of forming long-term cooperation with investors, the Bank has launched the process of providing loans secured by bonds in 2017. This new product enables the investors to attract funds at lower interest rate without selling the bonds.

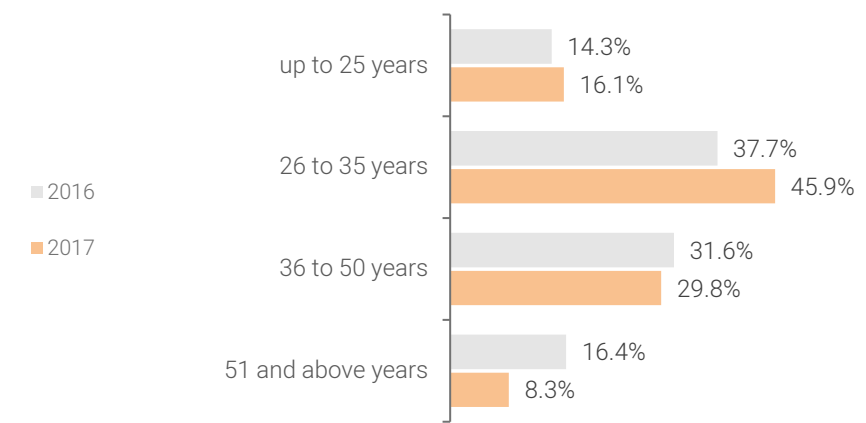
The team

The staff has a key role and invaluable contribution to the development of the Bank. The Bank continually improves human resource management processes for positioning itself as an attractive and competitive employer in the labor market. The Bank attaches great importance to cultivation of the corporate culture by creating an enabling environment for teamwork and self-development.

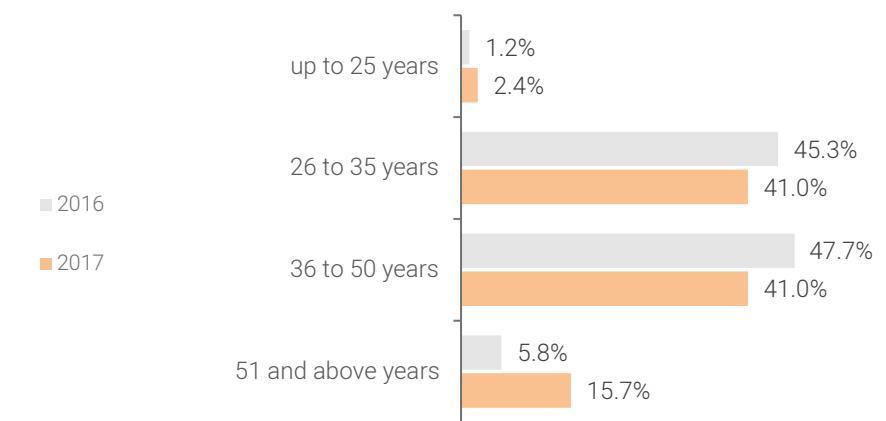
Structure of the team

As of the end of 2017, the number of the Bank's employees increased by 44 as compared to the same date in 2016, totaling to 386 persons of which 86 are managers. At the same time, the share of the employees under the age of 35 was significantly increased (by 61 persons) in the structure of the Bank's team and the share of employees aged 51 and over was decreased (by 24 persons).

Structure of employees by age, %



Structure of management bodies* broken down by age, %



* Management bodies of the Bank have been reviewed according to the Law "On Banks and Banking" of the Republic of Armenia.

Structure of employees by gender



Structure of management bodies by gender



Remuneration and Motivation

The Bank constantly improves its employees' material and non-material incentive system striving to provide an environment that enhances the team's professional potential.

The Bank has a competitive remuneration scale and bonus system operating through the Key Performance Indicators (KPI) assessment mechanism.

The Bank emphasizes the well-being of its employees and their families, as well as being faithful to the principle of "Caring Employer", grants them a set of privileges that are constantly updated and expanded.

Specifically, the package includes health insurance, membership to various sports clubs, flexible discounts system in a number of companies, and more.

The Bank organizes events for the selection of the best employees, results of which are summarized at the end of the year and the winners are awarded with Certificates of Gratitude, various gifts, including holiday vouchers in Armenia, Artsakh and abroad for their high professionalism and best results in the work.

Career growth

Highlighting the importance of professional growth of the employees, the Bank constantly undertakes staff trainings by using both internal and external resources which contribute to the team capacity building, development of professional skills in compliance with the key progress and innovations in the financial sector.

The Bank encourages all employees to be active and share their work experience and expertise through in-class trainings and it contributes not only to the acquisition of new knowledge, but also to consolidation of the teamwork and spirit.

Cooperation with universities

The Bank actively cooperates with a number of higher education institutions, specifically with YSU, ASUE, French University in Armenia Foundation and career centers.

As a result of the abovementioned cooperation, in 2017 many students have been involved in the Bank's working process, attended practical training courses, and the best of them were employed by the Bank.

Society

In 2017, the Bank continued its activities in line with corporate social responsibility principles.

“Make Armenia Clean Again”

In 2017, the Bank was one of the sponsors of the “Make Armenia Clean Again” cleaning campaign within the framework of which the Bank employees took part in cleaning and landscaping processes of some parks in Yerevan.



«Give a Dream»

At the end of 2017, the Bank implemented a social assistance program titled "Give a Dream". The goal of the project was to organize the New Year Party for socially disadvantaged and/or disabled children of the "Little Prince" day-care center in Vanadzor, to instill love and kindness by implementing their New Year dreams, with the support of the Bank's employees and clients.

On December 26, the team of the Bank employees gave gifts to children staying in "Little Prince" day-care center.



**Financial
Statements**

| **Chapter**

Independent Auditors' Report



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Independent Auditors' Report

To the Shareholders and Council of Anelik Bank CJSC

Opinion

We have audited the financial statements of Anelik Bank CJSC (the "Bank"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Impairment of loans to customers	
Please refer to the Note 14 in the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>Loans to customers comprise more than 45% of assets and are recognised net of impairment allowance that is estimated on a regular basis and is sensitive to assumptions used.</p> <p>The estimation of the impairment loss allowance on an individual basis requires management to make judgements to determine whether there is objective evidence of impairment and to make assumptions about the financial condition of the borrowers and expected future cash flows.</p> <p>The assessment of impairment loss allowance on impaired mortgage loans and consumer loans secured by real estate is based on analysis of future cash flows expected from realisation of underlying collateral.</p> <p>The collective impairment loss allowance relates to unsecured retail loans and losses incurred but not yet identified on other loans.</p> <p>Due to significant amount of loans to customers as well as uncertainty inherent to the estimation of impairment allowance, this issue is a key audit matter.</p>	<p>Our procedures in this area included:</p> <ul style="list-style-type: none"> - assessing and testing the design and operating effectiveness of the controls over Bank's loan impairment process – including: <ul style="list-style-type: none"> - controls over the monitoring process; - management review process over the calculation of impairment allowance; - application controls over the system's calculation of overdue days; - for individually significant loans: <ul style="list-style-type: none"> - performing a credit assessment of a sample of loans to determine whether they are individually impaired; - for loans classified as impaired assessment of the reasonableness of the amount and timing of estimated recoverable cash flows, including realisable value of collateral. Where available we compared the assumptions and estimates made by the management to externally available information; - for retail loans: <ul style="list-style-type: none"> - testing the accuracy of key inputs into the collective impairment allowance assessment models; - assessment of the appropriateness of the impairment calculation methodology; - for impaired mortgage loans and consumer loans secured by real estate assessment of the analysis of future cash flows expected from realisation of underlying collateral. - assessing whether the financial statement disclosures, appropriately reflect the Bank's exposure to credit risk.



Litigation contingency	
Please refer to the Note 27 in the financial statements.	
The key audit matter	How the matter was addressed in our audit
<p>On 2 March 2018 the First instance court satisfied the claim against the bank and decided to levy USD 22,301 thousand from the Bank.</p> <p>The assessment of whether a provision for litigation should be recognised requires management to make significant judgements to determine the likely outcome of the litigation.</p>	<p>Our procedures in this area included:</p> <ul style="list-style-type: none"> – we examined the agreement between the Bank and the claimant, First instance court decision and the grounds of appeal submitted by the Bank to the Court of Appeals. – we involved our in-house legal specialist in assessing management analysis of the likely outcome of the litigation; – we assessed the adequacy of the disclosures relating to this litigation.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Anelikbank CJSC
Independent Auditors' Report
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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:


Tigran Gasparyan
Managing Partner, Director of KPMG Armenia cjsc

KPMG Armenia cjsc
26 April 2018


Financial statements

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

		2017	2016
	Notes	AMD'000	AMD'000
Interest income	4	22,036,520	13,209,550
Interest expense	4	(13,454,144)	(8,840,711)
Net interest income		8,582,376	4,368,839
Fee and commission income		559,827	593,583
Fee and commission expense		(310,229)	(227,589)
Net fee and commission income		249,598	365,994
Net (loss)/gain on financial instruments at fair value through profit or loss		(255,836)	36,454
Net foreign exchange income		468,190	256,737
Net gain on available-for-sale financial assets	5	911,472	226,031
Other operating income, net	6	979,287	1,117,008
Operating income		10,935,087	6,371,063
Impairment losses, net	7	(4,060,115)	(1,222,281)
Personnel expenses		(2,814,399)	(2,046,670)
Other general administrative expenses	8	(1,683,991)	(1,631,711)
Profit before income tax		2,376,582	1,470,401
Income tax expense	9	(529,802)	(353,726)
Profit for the year		1,846,780	1,116,675
Other comprehensive income, net of income tax			
<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	9	2,146,088	2,009,100
- Net change in fair value transferred to profit or loss	9	(729,178)	(180,825)
Other comprehensive income for the year, net of income tax		1,416,910	1,828,275
Total comprehensive income for the year		3,263,690	2,944,950

The financial statements as set out on pages 8 to 66 were approved by management on 26 April 2018 and were signed on its behalf by:


 Ruben Melikyan
 Acting Chairman of the Management Board


 Anushik Khachatryan
 Chief Accountant

Statement of Financial Position

as of 31 December 2017

	Notes	2017 AMD'000	2016 AMD'000
ASSETS			
Cash and cash equivalents	10	17,229,253	30,061,489
Financial instruments at fair value through profit or loss			
- Held by the Bank		9,952	77,106
Available-for-sale financial assets			
- Held by the Bank	11	29,406,955	18,313,773
Loans and advances to banks and other financial institutions	12	11,476,427	547,876
Amounts receivable under reverse repurchase agreements	13	6,493,486	7,722,510
Loans to customers	14	57,763,789	217,036,997
Held-to-maturity investments			
- Held by the Bank		-	353,392
Current tax asset		142,648	30,444
Property, equipment and intangible assets	15	5,034,278	4,824,406
Other assets	16	1,301,201	3,485,291
Total assets		128,857,989	282,453,284
LIABILITIES			
Financial instruments at fair value through profit or loss		229,753	61,386
Deposits and balances from banks and other financial institutions	17	4,988,819	66,713,188
Debt securities issued	18	10,815,059	2,428,223
Current accounts and deposits from customers	19	64,651,008	167,523,458
Other borrowed funds	20	1,357,706	3,262,564
Deferred tax liabilities	9	1,486,487	604,942
Other liabilities	21	943,640	737,696
Total liabilities		84,472,472	241,331,457
EQUITY			
Share capital	22	33,971,850	33,971,850
Share premium		5,014,099	5,014,099
Revaluation surplus for buildings		156,499	156,499
Revaluation reserve for available-for-sale financial assets		3,342,351	1,925,441
Retained earnings		1,900,718	53,938
Total equity		44,385,517	41,121,827
Total liabilities and equity		128,857,989	282,453,284

Statement of Cash Flows

for the year ended 31 December 2017

	Notes	2017 AMD'000	2016 AMD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		23,815,358	12,485,353
Interest payments		(14,586,776)	(7,139,046)
Fee and commission receipts		559,827	593,583
Fee and commission payments		(310,229)	(227,589)
Net receipts from financial instruments at fair value through profit or loss		(20,348)	20,734
Net receipts from foreign exchange		343,087	430,045
Other income receipts		885,476	802,210
Other general administrative expenses payments		(3,868,686)	(3,176,574)
Decrease/(increase) in operating assets			
Amounts receivable under reverse repurchase agreements		1,229,639	(7,718,919)
Loans and advances to banks and other financial institutions		(10,886,898)	58,405
Loans to customers		151,659,011	(157,539,942)
Other assets		2,581,737	5,185,180
(Decrease)/Increase in operating liabilities			
Deposits and balances from banks and other financial institutions		(61,167,608)	49,178,502
Amounts payable under repurchase agreements		-	(300,000)
Current accounts and deposits from customers		(101,202,329)	111,453,079
Other liabilities		(30,021)	(5,596)
Net cash provided (used in)/from operating activities before income tax paid		(10,998,760)	4,099,425
Income tax paid		(19,689)	(16,503)
Cash flows (used in)/from operations		(11,018,449)	4,082,922
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of available-for-sale financial assets		(8,547,725)	(1,443,088)
Sale and repayment of available-for-sale financial assets		460,795	6,866,970
Purchases of held-to-maturity investments		-	(19,943,793)
Repayment of held-to-maturity investments		-	2,596,284
Purchases of property, equipment and intangible assets		(596,013)	(172,140)
Cash flows used in investing activities		(8,682,943)	(12,095,767)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of debt securities	18	8,336,627	2,418,311
Receipts of other borrowed funds	20	414,599	1,792,112
Repayment of other borrowed funds	20	(2,305,099)	(2,501,791)
Proceeds from issuance of share capital		-	21,805,949
Cash flows from financing activities		6,446,127	23,514,581
Net increase in cash and cash equivalents		(13,255,265)	15,501,736
Effect of changes in exchange rates on cash and cash equivalents		423,029	250,469
Cash and cash equivalents as at the beginning of the year		30,061,489	14,309,284
Cash and cash equivalents as at the end of the year	10	17,229,253	30,061,489

Statement of Changes in Equity

for the year ended 31 December 2017

AMD'000	Share capital	Share premium	Revaluation surplus for buildings	Revaluation reserve for available-for-sale financial assets	Retained earnings/(accumulated losses)	Total equity
Balance as at 1 January 2016	13,696,300	3,483,700	156,499	97,166	(1,062,737)	16,370,928
Total comprehensive income						
Profit for the year	-	-	-	-	1,116,675	1,116,675
Other comprehensive income						
<i>Items that are or may be reclassified subsequently to profit or loss:</i>						
Net change in fair value of available-for-sale financial assets, net of deferred tax	-	-	-	2,009,100	-	2,009,100
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of deferred tax	-	-	-	(180,825)	-	(180,825)
Total other comprehensive income	-	-	-	1,828,275	-	1,828,275
Total comprehensive income for the year	-	-	-	1,828,275	1,116,675	2,944,950
Transactions with owners, recorded directly in equity						
Shares issued	20,275,550	1,530,399	-	-	-	21,805,949
Total transactions with owners	20,275,550	1,530,399	-	-	-	21,805,949
Balance as at 31 December 2016	33,971,850	5,014,099	156,499	1,925,441	53,938	41,121,827
Balance as at 1 January 2017	33,971,850	5,014,099	156,499	1,925,441	53,938	41,121,827
Total comprehensive income						
Profit for the year	-	-	-	-	1,846,780	1,846,780
Other comprehensive income						
<i>Items that are or may be reclassified subsequently to profit or loss:</i>						
Net change in fair value of available-for-sale financial assets, net of deferred tax	-	-	-	2,146,088	-	2,146,088
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of deferred tax	-	-	-	(729,178)	-	(729,178)
Total other comprehensive income	-	-	-	1,416,910	-	1,416,910
Total comprehensive income for the year	-	-	-	1,416,910	1,846,780	3,263,690
Balance as at 31 December 2017	33,971,850	5,014,099	156,499	3,342,351	1,900,718	44,385,517

According to the requirements of the law "On Banks and Banking" of the Republic of Armenia "ID Bank" CJSC shall publish its financial statements on its activity.

The accompanying financial statements, including the Statement of Financial Position as of 31 December 2017, the Statements of Profit or Loss and Other Comprehensive Income, Cash Flows and Changes in Equity for the year ended 31 December 2017, are prepared in accordance with International Financial Reporting Standards (IFRS).

The accompanying financial statements are to be read in conjunction with the notes which are forming part of the financial statements and are published on the Bank's official website (www.idbank.am).