



# **PROSPECTUS**

**on Securities, Issued by “ACBA BANK”  
Open Joint-Stock Company**

**YEREVAN 2021**

# PROSPECTUS

**“ACBA BANK”**  
Issuer’s Name

**open joint-stock company**  
Organization’s form

82-84 Arami str., Yerevan 0002, RA  
Tel.: +(374)10 31 88 88 Fax: +(374)10 54 34 85  
Email: [acba@acba.am](mailto:acba@acba.am)  
Website: [www.acba.am](http://www.acba.am)

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**Class (type) of securities:** ordinary stock  
**Form of securities:** non-documentary  
**Number of securities:** 500 000  
**Nominal value of securities (currency):** 10 000 AMD  
**Cost of placement of securities (currency):** 15 000 AMD  
**Total nominal value of securities:** 5 000 000 000 AMD  
**Total cost of placement of securities:** 7 500 000 000 AMD

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**“ACBA BANK”**  
Distributor’s name

**open joint-stock company**  
Organization’s form

82-84 Arami str., Yerevan 0002, RA  
Tel.: +(374)10 31 88 88 Fax: +(374)10 54 34 85  
Email: [acba@acba.am](mailto:acba@acba.am)  
Website: [www.acba.am](http://www.acba.am)

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**REGISTRATION OF THE PROSPECTUS BY THE CENTRAL BANK OF ARMENIA  
DOES NOT VERIFY THE INVESTMENT SECURITY, CORRECTNESS OR  
AUTHENTICITY OF THE PRESENTED INFORMATION**

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## UNIT 2. SUMMARY SHEET

### NOTICE TO THE INVESTOR

The summary sheet shall be considered as an introductory summary of the prospectus. The investor's decision to invest in the offered securities shall be based on a complete prospectus.

In case of considering with other parts of the prospectus, the person responsible for compiling the summary bears civil responsibility for the incomplete or misleading (including the translation) information contained in the summary.

The Investor may obtain the Prospectus with the attached documents in a paper form in the Bank's head office or branches, and electronically - on the Bank's website [www.acba.am](http://www.acba.am).

#### 2.1. Information on the Bank and Its Activities

##### 2.1.1. Issuer's Data and Contact

**Full name of the Bank:**

**In Armenian:** «ԱԿԲԱ ԲԱՆԿ» բաց բաժնետիրական ընկերություն

**In English:** "ACBA BANK" Open Joint Stock Company

**Short name of the Bank:**

**In Armenian:** «ԱԿԲԱ ԲԱՆԿ»

**In English:** "ACBA BANK"

**Address of state registration of the Bank:** 82-84 Arami str., 89, 99, 100 territories, Yerevan 0002, RA

**Number of state registration of the Bank:** 70

**Location of the Bank:** 82-84 Arami str., Yerevan 0002, RA

**Contacts:** Tel.: +(374)10 31 88 88

Fax: +(374)10 54 34 85

Email: [acba@acba.am](mailto:acba@acba.am)

Website: [www.acba.am](http://www.acba.am)

In case of questions related to investing in securities, investors can apply to the branches of "ACBA BANK" OJSC (hereinafter referred to as "the Issuer" or "the Bank"), servicing them, as well as to the employees of the Dealing Division of the Bank at the following telephone numbers: +(374)10 31 88 88 (0067), +(374)10 31 88 83.

### **2.1.2. Short History and Strategy of the Issuer**

ACBA BANK (at the beginning of its establishment - "Rural Mutual Assistance Bank of Armenia" cooperative bank, also "Haygyughpoxhbank") was established on August 28, 1995, and on September 9, 2006, by the decision of the General Meeting of the Bank, it was reorganized and renamed into "ACBA-CREDIT AGRICOLE BANK" Closed Joint-Stock Company. "ACBA-CREDIT AGRICOLE BANK" CJSC was reorganized by the decision of the General Meeting, dated 29.04.2020 and was renamed into "ACBA BANK" Open Joint-Stock Company. "ACBA BANK" OJSC operates in accordance with the legislation of the Republic of Armenia, the activity of the latter is regulated by the Central Bank of Armenia. The state registration number of the Bank is 0170. The Bank operates on the basis of License No. 70 and is a member of the RA Deposit Guarantee Fund.

Below are brief historical facts with important chronological notes of the Bank's development:

**2002** - Haygyughpoxhbank (present ACBA BANK) became a full member of "VISA International" international payment system.

**2003** – "AGBA LEASING" CJSC, the first registered specialized leasing company in Armenia, was established by the Bank.

**2006** - The prestigious French "CREDIT AGRICOLE" banking group became a 28% shareholder of the Bank, as a result of which the Rural Mutual Assistance Bank of Armenia was reorganized into "ACBA-CREDIT AGRICOLE BANK" CJSC by April 29, 2020.

**Since 2010** - The Bank is the only one in Armenia, which carries out the issuance and service of 3 international payment cards - VISA, American Express, MasterCard, and the only national payment card - ArCa payment card. Moreover, the Bank cooperates with the American Express payment system in Armenia with an exclusive right.

**2013** – "ACBA-CREDIT AGRICOLE BANK" CJSC (present "ACBA BANK" OJSC), together with the Europe's leading asset manager "Amundi-ACBA Asset Management" company, established "Amundi-Acba Asset Management" CJSC.

**2014** - Being one of the largest financial organizations in Armenia, the Bank has introduced a Corporate Social Responsibility system, the priorities of which are support for remote border areas, nature conservation and use of alternative energy sources, preservation of historical and cultural values, as well as implementation of youth programs.

**2015** - The Bank has implemented structural changes, as a result of which the 3 main business directions of banking activity have been formed: agricultural, retail, SME and corporate.

**2017** - ACBA-CREDIT AGRICOLE Bank (present ACBA BANK) and SAP, the world leader in the corporate business solutions market, has signed a software acquisition agreement, under which the Bank will implement the Bank's full digital transformation step by step through the use of state-of-the-art solutions created by SAP.

As a result of the Bank's digital transformation, using the solutions of SAP, the internationally recognized and leader in the sector, the Bank will interactively respond to all customer needs, provide a package of services and solutions that best suit their needs, and be as effective as possible.

In 2017, ACBA-CREDIT AGRICOLE Bank also issued the new "ARKA-MIR" chip cards of the Russian MIR payment system.

**2018** – as a result of the cooperation of the Bank and the Japanese JCB Co. International cooperation, JCB card service has been launched in Armenia for the first time.

**In 2019**, ACBA-CREDIT AGRICOLE Bank attracted a subordinated loan of 9 million euros from two international financial institutions, which is another proof of the confidence of international investors in the Bank.

In the same year, as a result of the cooperation of ACBA-CREDIT AGRICOLE Bank and Chinese UnionPay International, the service of UnionPay cards was launched in Armenia.

**On April 29, 2020**, by the decision of the General Meeting of the Bank, "ACBA-CREDIT AGRICOLE BANK" CJSC was reorganized and renamed into "ACBA BANK" open joint-stock company.

**In 2020**, Fitch Ratings assigned ACBA BANK a B+ rating of "long-term Issuer Default Rating IDR".

Currently, "ACBA BANK" OJSC is a universal bank, which offers a wide range of banking services to its customers.

The main goal of the Bank is to support the development and strengthening of small and medium business of the Armenian economy.

The vision of the Bank is to be:

- the bank of first choice, constantly offering flexible and creative solutions;
- the guarantor of agricultural value chain development;
- the most valuable and recognizable brand in the financial market;
- the absolute leader in the financial market in terms of efficiency and profitability;
- the first choice employer in the RA financial market.

The mission of "ACBA BANK" OJSC is:

***Contribute to the sustainable development of the society with original and innovative solutions.***

### **2.1.3. Statutory Capital of the Bank**

The statutory capital of the Bank is 50 000 000 000 (fifty billion) AMD, which is divided into 5 000 000 (five million)<sup>1</sup> ordinary shares with a nominal value of 10 000 (ten thousand) AMD each.

The number of declared ordinary shares of the Bank, subject to additional placement, is 3,500,000 (three million five hundred thousand) pieces, each with a nominal value of 10,000 (ten thousand) AMD.

The maximum number of voting shares of the Bank belonging to one shareholder in the statutory fund of the Bank is not defined.

The significant shareholder of the Bank is:

"ACBA FEDERATION" closed joint-stock company – 95.00%.

### **2.1.4. Branches of the Bank**

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<sup>1</sup> The statutory capital of the Bank was replenished and instead of 30 billion AMD, it made 50 billion AMD, according to the decisions of the meeting of the Bank's Board on 25/02/2021 and the Annual General Meeting of Shareholders on 30/04/2021.





The Bank currently has 62 branches. The head office of the Bank and 18 branches are located in Yerevan and the rest are in the regions of Armenia. The addresses of the branches are presented in detail in Section 4.3.1 of the Prospectus.

### **2.1.5. Structure of the Bank's Group**

"ACBA BANK" OJSC is the Parent Company of the group. The group consists of the Bank and its subsidiaries.

The subsidiaries of the Bank are "AGBA LEASING" CO CJSC and "ACBA BROK" LLC.

"AGBA LEASING" CO CJSC carries out financial leasing operations, and it was established in 2003.

"ACBA BROK" LLC was founded in 2004. The organization has carried out insurance intermediation activities. Currently, it is not active.

It shall also be noted that by the decision of the Board of the Central Bank of the Republic of Armenia dated 28/04/2017, "ACBA-CREDIT AGRICOLE BANK" CJSC (present "ACBA BANK" OJSC), "AGBA LEASING" CO CJSC and "AMUNDI-ACBA ASSET MANAGEMENT" CJSC was recognized as a financial group, named "ACBA-CREDIT AGRICOLE GROUP".

By the decision of the Board of "ACBA BANK" OJSC dated 14/08/2020, the financial group was renamed "ACBA GROUP" financial group.

"ACBA BANK" OJSC has been appointed as the responsible person of "ACBA GROUP".

"AMUNDI-ACBA ASSET MANAGEMENT" CJSC carries out investment fund management activities, and it was founded in 2013.

### **2.1.6. Administrative and Organizational Structure of the Bank**

The internal administrative and organizational structure of the Bank is presented in *Appendix 1*.

### **2.1.7. Business Description**

The activities of "ACBA BANK" OJSC are targeted at 3 main business directions: agricultural, retail, SME.

These are the main services offered by the Bank in the mentioned directions:

Provision of agricultural, commercial, consumer and mortgage loans

- Account maintenance
- Attraction of demand and time deposits
- Issuance and maintenance of local and international plastic cards
- Foreign exchange transactions
- Electronic transfers, including transfers via express systems
- Provision of brokerage services, maintenance of the register and custody of corporate securities
- Financing of international trade transactions (letters of credit, guarantees)
- Other services.

Among the services provided by the Bank, a special place is given to credit investments, which are made throughout Armenia.

One of the key directions of the Bank's activity is the expansion of a stable deposit base. The Bank is constantly increasing the attraction of demand and time deposits from individuals and legal entities.

The Bank pursues an active policy in the field of issuing and servicing local and international payment cards, making non-cash transactions more profitable, convenient and safe for cardholders. Currently "ACBA BANK" OJSC issues and serves the cards of 3 major international (AmericanExpress, VISA International, MasterCard International), 1 Russian (MIR) and 1 national (ArCa) payment systems. In order to expand the volume of card service, the Bank has also introduced JCB and China Union Pay payment card service systems.

It shall be noted that in 2014 the Bank signed a new cooperation agreement with AmericanExpress, extending the agreement signed in 2009 on an exclusive basis for another 10 years. The Bank has a rather extensive network of ATMs and POS-terminals in the territory of the Republic of Armenia, which ensures the convenience of cash and non-cash transactions throughout the territory of the Republic of Armenia.

Ensuring the high quality of international transfers, the Bank is now a member of 5 out of 11 express money transfer systems operating in Armenia: MoneyGram, RIA Money Transfer, Unistream, Xpress Money, Converse Transfer.

### 2.1.8. Asset Quality

Below is a summary of the Bank's assets and a summary description of profitable assets:

thousand AMD

	31.12.2020 (Audited)	31.12.2019 <sup>թ.</sup> (Audited)	31.12.2018 <sup>թ.</sup> (Audited)
<i>Assets, including:</i>	495,631,691	432,612,975	349,491,965
<i>Profitable assets, including</i>	402,612,602	349,039,881	254,007,400
<i>Claims to customers</i>	328,035,951	295,756,158	221,269,984
<i>State securities</i>	9,452,410	16,212,563	21,179,580
<i>Specific weight of profitable assets</i>	81.23%	80.68%	72.68%
<i>High liquidity assets of the Bank/Total assets №1</i>	24.74%	23.80%	28.47%

## 2.2. Risks, related to the Bank and shares

### 2.2.1. Short Description of the Risks, Related to the Bank

During its activity, the Bank is exposed to the following main risks:

**Credit risk** is the risk of financial loss when the borrower or the contracting party of a financial instrument is unable to perform its contractual obligations to the Bank, which affects its operations, incurs additional costs, and adversely affects profits.

**Liquidity risk** is the risk that the Bank will not have sufficient liquidity to repay its commitments on time.

**Interest rate risk** is the risk that future cash flows of financial instruments or their fair value may change as a result of adverse interest rate changes.

**Currency risk** is the risk that the value of a financial instrument will fluctuate due to changes in the exchange rate. Currency risk arises when assets denominated in foreign currency exceed or are less than liabilities denominated in the same currency.

**Price risk** is the risk of losses for the Bank as a result of changes in the prices of tangible assets (property, collateral).

**Operational risk** is the likelihood that the Bank will lose funds due to mistakes in the actions of employees, technical malfunctions or fraud.

**Risk of a change in the legal and normative framework** is the likelihood of incurring losses as a result of unfavorable or undesirable changes in the legal and legislative framework related to banking activities, conflicting provisions in the agreements, and other similar circumstances.

**Reputation risk** is the likelihood that a negative public opinion about the Bank will lead to a reduction in the number of customers, a reduction in the volume of counterparty/customer transactions, and a decline in the costly litigations and profitability. In this regard, the Bank values its good reputation very much and makes every effort to maintain the Bank's reputation.

**Non-compliance risk** is the risk of legal, administrative or disciplinary sanctions against the Bank, significant financial losses and risk of reputation for the Bank.

**Country risk** depends on the level of social and economic development of the country, its place and role, as well as the existing political situation. Unfavorable changes in the domestic political situation can cause such negative factors that can lead to the decrease of economic activity and income of the population, which will have a negative impact on all sectors of the economy, in which the Bank provides loans.

**Competitive terms risk** is the probability of losing the Bank's potential revenue due to the provision of similar services by competitor banks in the market on more favorable terms.

A full description of the Bank's risks is provided in Section 4.2 of the Prospectus.

### **2.2.2. Short Description of Risks, Related to Shares**

**Business risk**, which may arise due to unfavorable changes in the general economic situation, the banking sector or the competitive position of the Bank, as a result of which the Bank's profit may decrease, leading to a fall in the share price.

**Liquidity risk**, which may be caused by a sharp change in the market situation, as a result of the deterioration of the Bank's financial condition, as a result of which the shares may lose their attractiveness, leading to a fall in their price. As a result, the investor in the stock is not able to sell the shares quickly at a favorable price at

any time, and consequently suffers financial losses, having to sell them at a lower price.

**Interest rate risk**, which may be due to a sharp change in the interest rates in the market, which, as an alternative investment direction, indirectly affects stock prices.

**Foreign exchange risk** arises from exchange rate fluctuations and can have a negative impact on both the Bank and the securities market. The shares will be quoted and paid in AMD, therefore, for investors whose financial flows are in other currencies, these shares contain significant foreign exchange risks.

**The Bank's reputation risk** has a direct impact on the attractiveness and price of the stocks.

A comprehensive description of risks, related to securities, is provided in **Unit 3.1 of the Prospectus**.

## **2.3. Bank Development Trends**

### **2.3.1. Development Trends**

For the coming period, the Bank will continue to focus on retail, SME and agricultural sectors. Enabling remote customer service, the Bank will continue to expand its remote delivery services. In this regard, the Bank's activities will be aimed at expanding the range of services provided, reducing costs, improving the quality of service, as well as the provision of new services. In particular:

- in the coming years, the Bank will pay close attention to the automation and efficiency of lending processes, reducing the operating costs of the latter as much as possible;
- the Bank will provide agricultural loans to medium and large farms in the regions of Armenia, organizations engaged in the production and processing of agricultural products, as well as commercial loans will be provided to legal entities, entrepreneurs in the fields of production, trade and services;
- enabling the expansion of remote banking services to the Bank's customers, as well as improving the convenience for the customers to use banking services, it is planned to constantly supplement the list of services provided by mobile and web applications;
- taking into account the development trends of information technologies (which over time significantly affect the behavior of customers as well), the Bank will continuously develop and introduce new business models by launching various real-time banking platforms, digital technology platforms and digital channels;
- the Bank will expand the volume of card issuance and service throughout the Republic of Armenia, in parallel with which the Bank will continue to expand the total volume of credit lines provided by cards, which will be offered to both individuals and organizations.

In addition to the above, it shall be noted that the Bank, adhering to its principles, does not finance activities that are detrimental to the environment, organizations, running business in the production of arms/ammunition, as well as in casino and lottery. Moreover, when financing, it studies as much as possible the impact of the given activity on the social environment and the nature, as well as it promotes the use of alternative energy sources.

### 2.3.2. Lawsuits, Pending Changes

All permissions and licenses, required for the Bank's operations, are valid. The Bank is not involved in litigation, arbitration and (or) administrative litigation that could significantly affect the Bank's financial position or profitability. No organizational changes are expected either.

Changes in the Bank's financial condition and activities prior to the date of submission of the Prospectus are presented in the following table:

Thousand AMD

Financial Indicators	31.12.2020 (Audited)	31.12.2019 (Audited)	Growth/decline
Capital	70,509,102	68,642,564	2.72%
Assets	495,631,691	432,612,975	14.57%
Liabilities	425,122,589	363,970,411	16.80%

Thousand AMD

Financial Indicators	01.01.20-31.12.20 (Audited)	01.01.19- 31.12.19 (Audited)	Growth/decline
Profit/loss before taxation	3,773,917	8,997,928	-58.06%
Net interest income	25,904,432	20,958,111	23.60%
Operating income	32,740,768	27,644,141	18.44%

## 2.4. Auditing Persons and Advisors

The independent audit of the Bank in the last five years has been performed by:

- 2016-2020: “Ernst & Young” CJSC.

**“Ernst & Young” CJSC** – address: Northern ave. 1, office 27, Yerevan 0001, RA  
Tel.: +(374)10 50 07 90,  
Website: [www.ey.com/am](http://www.ey.com/am),  
Organization’s director – Erik Hayrapetyan.

## 2.5. Management and Shareholders

The following management bodies of the Bank are defined by the Charter of the Bank:

- General Meeting of the Bank’s Shareholders (hereinafter referred to as “the General Meeting”),
- The Board of the Bank (hereinafter referred to as “the Board”),
- The Chief Executive Officer of the Bank (hereinafter referred to as “the Chief Executive Officer”).

The Board and the Chief Executive Officer manage the Bank’s activities within the framework of the powers given to them by the Bank’s charter.

The Bank has a Chief Accountant, an Internal Audit Division, a person responsible for the implementation of the Risk Management Function and a person responsible for the implementation of the Compliance Assurance Function and Corporate Secretary.

### 2.5.1. Bank’s Shareholders

Significant shareholders of the Bank are presented in Section 2.1.3 of the Summary.

### 2.5.2. Bank’s Board

The Board of the Bank consists of seven members, including the Chairman of the Board and six members, the composition of which is presented below:

Name, surname	Position	Experience
Marat Harutyunyan	Chairman of the Board of the Bank	In the Board of the Bank for more than 25 years
Bruno Sharie	Independent member of the Board of the Bank	In the Board of the Bank since 2019
Arayik Abasyan	Bank’s Board member	In the Board of the Bank since 2019
Armen Mkrtchyan	Bank’s Board member	In the Board of the Bank since 2020
Hrach Sargsyan	Bank’s Board member	In the Board of the Bank since 2020
Tsoghik Asoyan	Bank’s Board member	In the Board of the Bank for more than 22 years
Henrik Kochinyan	Bank’s Board member	In the Board of the Bank for more than 21 year

### 2.5.3. Chief Executive Officer of the Bank

The Chief Executive Officer of the Bank is Hakob Andreasyan. He has experience with the Bank of more than 25 years. The Chief Executive Officer of the Bank has 5 deputies, whose composition is presented below:

Name, surname	Position	Experience
Nikolay Hovhannisyan	Deputy CEO COO	Works at the Bank for more than 25 years
Styopa Zakinyan	Deputy CEO CFO	Works at the Bank for more than 20 years
Norik Nazaryan	Deputy CEO Sales Promotion and Regional Management	Works at the Bank for more than 25 years
Arsen Melkonyan	Deputy CEO Business Operations Coordination	Works at the Bank for more than 22 years
Tigran Simonyan	Deputy CEO Platforms and Technologies Development	Works at the Bank for more than 12 years

The Chief Accountant of the Bank is Armen Hakobyan. He has experience with the Bank of more than 23 years.

The number of employees of the Bank in the historical financial period is as follows:

As of 31.12.2018 - 1523 persons  
 As of 31.12.2019 - 1498 persons  
 As of 31.12.2020 - 1518 persons.

## 2.6. Main Data on the Shares, Offered by the Bank

**Type of share:** ordinary non-documentary share

**Nominal value of one share:** 10 000 (ten thousand) AMD

**Market value of one share:** 15 000 (fifteen thousand) AMD

**Number of shares:** 500,000 (five hundred thousand)

**Total volume of shares (at nominal value):** 5 000 000 000 (five billion) AMD

**Currency of shares:** AMD

**Purpose of issuing shares:** increase of capital

**Planned ways of using the funds:** the new attracted capital will allow the Bank to direct more funds to lending to the Armenian economy, mainly in SME, agricultural and retail sectors.

## 2.7. Description of Offer of Shares and Permission to Their Trading

The offering of shares is carried out in full at the expense of additional issued shares within the volume of declared shares, specified by the Bank's charter. The placement of shares will be carried out by "ACBA BANK" OJSC. A commercial permit will be requested for the offered shares at "Armenian Stock Exchange" OJSC. The commercial permit application may also be rejected.

The public offering of shares will start on September 1 of this year and will last up to 45 working days.

The day of starting the placement of shares will be published 3 days prior to the placement on the Bank's website.

No sale of shares owned by shareholders is planned in parallel with the issue.

## 2.8. Financial Data Summary

The financial data of the Bank for 2018-2020 are presented below:

Indicator	<i>thousand AMD</i>		
	2020թ. (Audited)	2019թ. (Audited)	2018թ. (Audited)
Net profit after income tax	2,724,631	6,955,228	6,247,488
Average amount of equity	69,575,833	66,165,930	61,996,475
Return on Equity (ROE)%	3.92%	10.51%	10.08%
Net profit after income tax	2,724,631	6,955,228	6,247,488
Average amount of total assets	464,122,333	391,052,470	330,206,459
Return on Assets (ROA)%	0.59%	1.78%	1.89%
Net profit after income tax	2,724,631	6,955,228	6,247,488
Operating income	32,740,768	27,644,141	24,105,210
Net Profit Margin (NPM)%	8.32%	25.16%	25.92%
Operating income	32,740,768	27,644,141	24,105,210
Average amount of total assets	464,122,333	391,052,470	330,206,459
Asset Utilization Rate (AU)%	7.05%	7.07%	7.30%
Average amount of total assets	464,122,333	391,052,470	330,206,459
Average amount of equity	69,575,833	66,165,930	61,996,475



Equity multiplier (EM)%	667%	591%	533%
Net interest income	25,904,432	20,958,111	17,769,422
Average amount of profitable assets	375,826,242	301,523,641	237,060,440
Net Interest Margin (NIM)%	6.89%	6.95%	7.50%
Interest income	46,090,166	39,167,652	31,945,974
Average amount of profitable assets	375,826,242	301,523,641	237,060,440
Yield of profitable assets%	12.26%	12.99%	13.48%
Interest expenses	20,185,734	18,209,541	14,176,552
Liabilities, for which interest expenses are incurred	406,534,131	352,755,129	279,409,457
Cost of liabilities, for which interest expenses are incurred %	4.97%	5.16%	5.07%
Net profit after income tax	2,724,631	6,955,228	6,247,488
Number of shares	5,000,000	2,500	2,500
Net Earnings Per Share (EPS)	0.545	2,782	2,499
Spread	7.29%	7.83%	8.41%

The financial ratio calculation formulas are presented in **Appendix 2**.

## UNIT 3. INFORMATION ON SHARES

### 3.1. Risk Factors

Investments in stocks are associated with certain potential risks, so before making an investment decision, investors shall carefully study and analyze the potential risks associated with the investment, and identified in the Prospectus, as well as other information presented. It is necessary to take into account the fact that the Prospectus presents an incomplete list of possible risks, it is possible that certain other risks of unpredictable nature may arise. Therefore, when making an investment decision, the investor must be fully aware of the essence of the investment, they must be guided by their own experience, goals and expectations.

Each of the presented risks can have a certain negative impact on both the Bank's position and the market situation, resulting in a decrease in the share turnover in the market, a decrease in the Bank's income, an increase in expenses, which in turn can lead to a decrease in stock prices.

The following are the main risks identified by the Bank that an investor shall take when investing in shares:

**Business risk**, which may be caused as a result of unfavorable changes of general economic situation, the banking services sector or the competitive position, as a result of which, the Bank's profit may decline, resulting in stock price decline.

**Liquidity risk**, which may be caused by a sharp change in the market situation, as a result of the deterioration of the Bank's financial condition, as a result of which the shares may lose their attractiveness, leading to a fall in their price. As a result, the investor in the stock is not able to sell the shares quickly at a favorable price at any time, consequently he suffers financial losses, having to sell them at a lower price.

**Interest rate risk**, which may be due to a sharp change in market interest rates, which, as an alternative investment direction, indirectly affects stock prices.

**Foreign exchange risk**, which arises due to exchange rate fluctuations, and can have a negative impact on both the Bank and the securities market. The shares will be quoted and paid in AMD, therefore, for investors whose financial flows are in other currencies, these shares contain significant foreign exchange risks.

**Risk of the Bank's reputation**, it has a direct impact on the attractiveness and price of shares.

**Risk of changes in the legal framework**, which may arise due to unfavorable changes in the legislation, which may affect both the Bank's operations and the market situation. At the same time, it shall be noted that these changes may also affect the attractiveness of stocks and as a result, they will also affect liquidity.

It shall be noted that the Bank is taking all necessary measures to reduce the negative impact of these factors. However, as in most cases the risk factors are beyond the Bank's control, the effectiveness of measures taken to reduce the negative impact of the risks, not limited by this list, is not guaranteed by the Bank.

## 3.2. Main Information

### 3.2.1. Capitalization and Liabilities

Capitalization of "ACBA BANK" OJSC as of 31.03.2021:

<i>thousand AMD</i>	
<b>Statutory Capital</b>	30,000,000 <sup>2</sup>
<b>Accumulated profit</b>	30,399,244
<b>Equity</b>	71,397,545

Liabilities of "ACBA BANK" OJSC as of 31.03.2021:

<i>thousand AMD</i>	
<b>1. Long-term liabilities that involve interest expense, including:</b>	126,531,665
1.1. secured liabilities	11,620,267
1.2. non-secured liabilities	114,911,398
<b>2. Short-term liabilities that involve interest expense, including:</b>	290,659,635
2.1. secured liabilities	26,536,195
2.2. non-secured liabilities	264,123,441
<b>3. Off-balance sheet and contingent liabilities</b>	41,834,166
<b>Liabilities</b>	417,191,300

<sup>2</sup> The statutory capital of the Bank was replenished and instead of 30 billion AMD, it made 50 billion AMD, according to the decisions of the meeting of the Bank's Board on 25/02/2021 and the Annual General Meeting of Shareholders on 30/04/2021.

Guaranteed liabilities	91,698,640
Non-guaranteed liabilities	325,492,660

### **3.2.2. Purpose of Offer and Use of Attracted Funds**

The purpose of the additional issue and placement of ordinary non-documentary shares of the Bank is to increase the Issuer's capital, which will allow the Bank to direct more funds to lending to the Armenian economy, such as SMEs, agricultural and retail sectors.

The estimated gross amount attracted will be AMD 7,500,000,000 (seven billion five hundred million) AMD.

The possible attracted funds are not intended to be used to acquire assets outside the Bank's normal operations, but for acquisitions, declared by businesses, or to reimburse, repay liabilities or for refinancing.

### **3.3. Information, Related to Offered Shares**

#### **3.3.1. Information on Shares**

##### **a. Type and class of securities**

Class (type) of securities offered through this Prospectus - ordinary stock (share security),

Securities identification code, (ISIN) AMACBAS10ER7.

##### ***b. Country, according to the legislation of which, the shares were issued***

Ordinary registered shares of the Bank have been issued in accordance with the legislation of the Republic of Armenia; disputes arising over them, including litigation, are subject to settlement in accordance with the legislation of the Republic of Armenia.

##### **c. Stock form**

The offered shares are non-documentary, and the register of the owners of the shares will be maintained by "Central Depository of Armenia" OJSC (26/1 Vazgen Sargsyan str., Erebuni Plaza, 5th floor, Yerevan 0010, RA, Tel: + (374) 60 61 55 55, ext. 111, + (374) 10 54 3 3 21, ext 136, (hereinafter referred to as "the Depository"), according to the relevant rules and procedures.

##### **d. Nominal value and quantity of shares**

The nominal value of one share is 10 000 (ten thousand) AMD. Total number will be 500 000 (five hundred thousand) shares.

##### **e. Issue currency**

The currency of issue is the Armenian dram.

## ***f. Description of the rights arising from the shares***

### ***1. The right to receive dividends***

Each share entitles its owner to receive dividends in proportion to the number of shares they own. Payment of dividends for both previously placed and additional placed shares is regulated by the legislation of the Republic of Armenia, the Bank's charter and the Bank's Dividends Policy.

According to the Bank's Dividend Policy, the decision on the payment of dividends is the responsibility of the General Meeting of Shareholders of the Bank. The General Meeting shall make a decision on the payment of annual dividends, the amount of the dividend and the amount of its payment upon the proposal of the Board of the Bank. For each payment of dividends, the Board of the Bank shall compile a list of shareholders entitled to receive dividends, which shall include the shareholders of the Bank who have been included in the Register of Shareholders of the Bank as of the date of compiling the list of shareholders entitled to participate in the General Meeting.

Dividends announced by the Bank are paid in AMD, in cash or non-cash form by transferring the money to their bank accounts.

According to the current legislation of the Republic of Armenia, dividends are paid to the Bank's shareholders from profit after paying taxes (net profit), which is calculated on the basis of financial statements prepared by banks in accordance with the requirements of the legislation. According to the current legislation of the Republic of Armenia, the Bank is a tax agent when paying dividends to shareholders for their shares.

Payment of dividend to a shareholder who is an individual or legal entity is considered to be the receipt of the corresponding amount of money from the Bank's account by submitting an identification document by the shareholder or the transfer of that amount to the shareholder's bank account according to the shareholder's bank requisites, registered with the Central Depository.

The bank has no right to declare dividends and pay them, if:

- a) the statutory capital has not been paid in full;
- b) the Bank has not repurchased all the shares in the manner prescribed by law;
- c) as of the moment of making the decision to pay dividends, the Bank's condition corresponds to the insolvency (bankruptcy) indicators defined by law, or they will appear as a result of payment of dividends;
- d) the value of the Bank's net assets is less than the authorized capital or will decrease due to the payment of dividends.

The amount of annual dividends may not be less than the amount of interim dividends already paid.

There are no specifics for receiving dividends by non-resident shareholders of the bank.

Other issues related to the calculation and payment of dividends are regulated by the Bank's Dividend Policy, which is available at the Bank's head office, branches, as well as on the Bank's website [www.acba.am](http://www.acba.am).

## ***2. The right to vote***

The shareholder who owns ordinary shares of the Bank has the right to participate in the General Meeting of Shareholders in person or through a representative, voting on all issues within the competence of the latter, according to the number of their shares, subject to the restrictions established by law and the Bank's charter.

## ***3. Preemptive right in case of placement of shares of the same class***

According to the decision No. 19-5 of the Annual General Meeting of the Bank Shareholders dated 30.04.2021, with the consent of the Shareholders, the preemptive right of the shareholders to acquire new shares will not be exercised during the placement of additional shares.

## ***4. The right to receive a share of the remaining property in case of liquidation***

The shareholder holding ordinary shares of the Bank has the right to receive the part of the Bank's property (assets) in case of liquidation of the Bank, after the repayment of other liabilities of the Bank in accordance with the sequence defined by the RA Law "On Banks and Banking".

## ***5. Repurchase claim rights***

Owners of voting shares have the right to request the Bank to determine the repurchase price of the shares, the repurchase of their shares or a part thereof, if:

- a decision was made on the reorganization of the Bank, suspension of the preemptive right or concluding a large transaction and the mentioned shareholders voted against the reorganization of the Bank, extension of the preemptive right or concluding a large transaction, or did not participate in the voting on those issues;
- additions or amendments have been made to the charter, or the charter has been approved in a new version, as a result of which the rights of the mentioned shareholders have been restricted, they have voted against or did not participate in the voting.

The repurchase of shares by the Bank is carried out at their market value, which is determined without valuation of the shares, and without taking into account changes resulting from the actions of the Bank entitling the repurchase claim.

The repurchase of shares by the bank requires the consent of the Board of the Central Bank of Armenia.

## **6. Conversion rights**

There is no right to convert ordinary shares issued by the bank.

### ***g. Bank's Board Decision on Issuance of Shares***

***The issue of additional ordinary shares of the bank is carried out according to the decision No. 121-3.5 of the Board of the Bank, dated February 25, 2021, according to which 500,000 (five hundred thousand) ordinary shares with a nominal value of 10 000 (ten thousand) AMD, will be placed.***

**By the Bank's Board Decision No. 124-1 of May 27, 2021, this Prospectus of the Bank's shares was also approved.**

### ***h. Description of restrictions on free circulation of securities***

The restrictions defined by the RA legislation related to the acquisition of shares are the following:

A person or related persons may obtain significant (direct and indirect) participation in the statutory capital of the Bank (that is purchase 10 and more percent of voting shares of the Bank) only with the prior consent of the Central Bank. The given person must meet the requirements set by the legislation, submit the necessary documents, provide information in accordance with the regulations of the Central Bank of the Republic of Armenia. The Central Bank of the Republic of Armenia examines all the required documents within one month.

The Central Bank of the Republic of Armenia rejects the application, notifying the applicant within 10 days, if:

- the person has a conviction for committing a deliberate crime
- the person has been deprived of the right to hold positions in financial, banking, tax, customs, commercial, economic, legal spheres by a decision or verdict that has entered into legal force
- the person has been declared bankrupt and has outstanding (unforgiven) liabilities
- the actions of the person have previously led to the Bank's or another person's bankruptcy
- in the past, this person or affiliated persons have committed an act, which based on the guidelines approved by the Central Bank of Armenia, in the opinion of the Central Bank of Armenia, there is reason to suspect that the actions of this person as a voting member of the Bank during the decision-making of the highest management body, may lead to the Bank's bankruptcy, deterioration of financial condition, discrediting or damaging the business reputation
- the given transaction is directed or leads, or can lead to the restriction of free economic competition
- the person acquiring a significant share in the Bank's statutory fund as a result of the transaction, and the persons affiliated with them, acquire a dominant position in the Armenian banking market as a result of the transaction, which allows them to predetermine the market tariffs or conditions of at least one

of the transactions, defined by Article 34 of the RA Law “On Banks and Banking Activities”

- the documents were submitted in violation of the rules established by the Central Bank of the Republic of Armenia or the submitted documents or information contained false or unreliable information
- the participant acquiring a significant participation in the Bank's statutory fund or its affiliate as a result of the transaction is in a bad financial position in a well-reasoned opinion of the Central Bank of the Republic of Armenia, or the deterioration of the financial position of the significant participant or its affiliates may lead to deterioration of the Bank's financial position. The activities of the persons acquiring significant participation and (or) their affiliates or the nature of their relations with the Bank may, in the reasonable opinion of the Central Bank of Armenia, impede effective control by the Central Bank of Armenia or prevent identifying or effectively managing the risks of the Bank
- the person does not provide sufficient and complete justifications (documents, information, etc.) on the legality of the origin of the funds, to be invested by them.

The restrictions set forth in this clause do not apply to the acquisition of participation in the statutory capital of the reporting issuing bank, according to the RA Law "On Securities Market", if it has been done on the stock exchange, does not exceed 20% of the bank's statutory fund, and in case of exceeding - upon the prior consent of the Central Bank.

Without the prior consent of the Central Bank of Armenia, the contract for significant participation in the Bank's statutory fund is null and void.

Shares issued (offered for sale under this prospectus) may be traded on the stock exchange after obtaining a commercial permit on the stock exchange. The bank will apply for listing of shares to "Armenian Stock Exchange" OJSC. The application for listing of shares may also be rejected. The shares of the Bank may not be bought or sold outside the regulated market after obtaining the permission to list or trade shares, except for the following cases defined by the normative legal acts of the Central Bank of the Republic of Armenia:

1. Private transactions, that is, transactions, whose parties are known in advance, moreover, according to Article 129 of the RA Law “On the Securities Market” and the decision No. 331-N of November 27, 2012 of the Central Bank of the Republic of Armenia, the following are considered private transactions:
  - Transactions, signed by the Central Bank of the Republic of Armenia
  - Repurchase or acquisition of securities by the Issuer, which were issued by the Issuer
  - Transactions in equity securities within the framework of the securities offer
2. in case of transactions carried out by the placement bodies within the framework of share placement,
3. in case of trading permission and sale of securities, allowed in the market for trade, in another regulated market.

There are no other restrictions on the free movement of stocks, with the exception of cases, specified by the Financial Security policy of the Bank.

***i. Description of the obligation to make a mandatory offer to transfer the securities***



The obligation to make a mandatory offer of securities, as well as cases of absence of such an obligation, are regulated by Chapter 15 of the RA Law “On the Securities Market”.

Each person, who becomes the owner of more than 75% of the securities of a given class through one or more transactions with the issuer's share security, is obliged to offer to transfer all the securities of the given class to them. This requirement also applies, when at the request of the Reporting Issuer, the operator has stopped trading the issuer's securities in the regulated market. In this case, the mandatory offer to transfer the securities must be submitted by the issuer's shareholders who voted in favor of the decision to terminate the issuer's trading permit in the regulated market. At the same time, the shareholders who voted in favor of the decision to terminate the issuer's securities trading permit in the regulated market shall elect a representative, who will implement the mandatory offer to transfer the securities on their behalf.

The person is obliged to submit the declaration of the offer to transfer the securities, to the Central Bank within 10 working days after the execution of the relevant transaction, as a result of which the person has become the owner of more than 75% of the given class of securities.

The requirement to make a mandatory offer of transfer of securities does not apply in cases when:

- the person became the owner of more than 75% of the securities of the given class as a result of the reduction of the statutory capital of the given company;
- the person has become the owner of more than 75% of the securities of the given class as a result of their non-obligatory offer to transfer the securities for all the securities of the given class;
- the securities were acquired by the investment service provider for placement;
- the person alienates the part, exceeding 75% of the securities of the given class within 10 working days from the day of their acquisition to the person, who according to Article 151 of the RA Law “On Securities Market”, is not considered a person agreeing to cooperate, provided that during that period the general meeting of shareholders of the issuer of the given securities is not convened.

#### ***j. Complete and detailed description of procedure for taxation of income from securities***

The taxation of income from shares ***for resident legal entities*** is carried out in accordance with Article 4, Article 104, Article 105, Article 107, Article 110 and Article 123 of the RA Tax Code.

In particular:

When determining taxable profit, gross income is deducted in the amount of dividends received by the taxpayer, i.e. dividends (income from shares) are not taxed on income tax.

***In case of non-resident legal entities***, taxation is carried out according to Article 4, Article 104, Article 105, Article 107, Article 109, Article 110, Article 125, Article 126 and Article 132 of the RA Tax Code.

In particular:

In this case, dividends (earnings from shares), except for dividends from shares listed on the stock exchange operating in the Republic of Armenia, are subject to income tax as passive income at a rate of 5%. Taxation is done by the tax agent

(bank) at the time of the decision on the distribution of dividends (from the total amount of income paid to the non-resident).

Non-resident legal entities are exempt from paying income tax on dividends (income from shares), received from shares listed on the stock exchange operating in the Republic of Armenia.

Taxation of income from shares **for resident and non-resident individuals** is carried out in accordance with Article 4, Article 140, Article 141, Article 143, Article 144, Article 147, Article 149 and Article 150 of the RA Tax Code. In particular:

Dividends (income from shares), to be paid to resident and non-resident individuals, except for dividends from shares listed on the stock exchange operating in the Republic of Armenia, are subject to income tax as passive income at a rate of 5%. Taxation is done by the tax agent (bank) at the time of making the decision on the distribution of dividends (from the total amount of income paid).

Dividends (income from shares), received from shares listed on the stock exchange operating in the Republic of Armenia, are reduced from the income of resident and non-resident individuals, in determining the tax base.

### **3.4. Offer Terms and Conditions**

#### **3.4.1. Offer Terms**

##### ***a. Total volume of issue and (or) offer***

The total nominal volume of the issue (offer) is 5 000 000 000 (five billion) AMD, which consists of 500 000 (five hundred thousand) issued ordinary shares, each with a nominal value of 10 000 (ten thousand) AMD, the total amount of which is at a market value of 7 500 000 000 (seven billion five hundred million) AMD.

The offer is fully implemented at the expense of additional issued shares within the volume of declared shares, specified by the Bank's charter.

The offered volume of shares is fully subject to open subscription.

##### ***b. Start and End of Offer Implementation (including any possible changes in timeframes)***

The beginning of the placement of shares is considered to be 10am on 10.09.2021, and the end is 4.30pm on 12.11.2021. In case of subscription of the whole volume of shares before the mentioned term, the Bank terminates the subscription process.

The prospectus of the placement will be published at least 3 business days before the placement on the Bank's website [www.acba.am](http://www.acba.am).

Possible changes in the terms of placement may be made by the decision of the Executive Body of the Bank.

The offer of shares by the issuer, as well as the placement can be postponed or canceled only in case of force majeure.

##### ***c. Application Process to take Advantage of the Offer, Procedure and Terms of Approval***

Investor submits a subscription application (hereinafter referred to as the application) for the purpose of acquiring / subscribing shares, in the form of a template, approved



by the Bank, which is also published on [www.acba.am](http://www.acba.am) website, in the following ways:

- by submitting an application in any branch of ACBA BANK OJSC, or
- by submitting an electronic application through the ACBA DIGITAL application (if appropriate technical capability is available), or
- by submitting an e-application from the e-mail address of the investor mentioned in the "Know Your Customer Questionnaire" to the Bank's e-mail address [invest@acba.am](mailto:invest@acba.am), if the investor is a customer of "ACBA BANK" OJSC, and has been identified based on the "Know Your Customer Questionnaire", enforced on 05.06.2019, by which both the customer's e-mail address has been approved and a consent was provided to enter into transactions using that e-mail address.

The application for the acquisition / subscription of shares shall be submitted during the defined period of placement: from 10am on 10.09.2021 to 4.30pm on 12.11.2021.

The application must at least contain the following information:

- name and surname of the investor, data of the identification document, place of residence, signature in case of presenting the application in person (in case of a legal entity: name, location, signature of the authorized person);
- number of shares acquired;
- securities account number, opened by the account operator of "Central Depository of Armenia" OJSC.

The following documents shall be submitted together with the application:

- In case of an individual, copies of an identification document (if available, a social card or a document containing a public service number, or a certificate of non-receipt of a public service number)
- in case of a legal entity, the state registration certificate (in case of the resident legal entity, registered in the RA State Register, branches and representations of non-resident legal entities, established in the RA, also the registration slip of the active manager) or an extract from the Unified State Register; in the case of an authorized person - also the power of attorney.

Individuals and / or legal entities wishing to participate in the acquisition of shares may submit more than one application.

Applicants are registered in the register, specially opened for this purpose and the applications are approved according to the order of the period of fully satisfying the requirements of the Prospectus.

Within 3 working days after submitting the application, the investor must provide the amount required for the acquisition / subscription of shares to the account **220004131649000** opened in "ACBA BANK" OJSC (payment must be made in AMD, and all commissions arising during the payment must be provided by the investor), by:

- depositing cash in any branch of ACBA BANK OJSC, or
- making a non-cash transfer, in which case the investor's name and surname and identification document details / VAT number must be indicated in the target field, or

- securing the necessary amount on any current account opened in "ACBA BANK" OJSC, by agreeing on the collection of that amount with an application without acceptance.

The application is considered approved, and the share acquisition / subscription transaction is concluded, if all the following circumstances are present at the same time:

- the application was submitted in the manner specified in the Prospectus, and
- the amount required for the acquisition / subscription of shares was provided in the manner specified in the Prospectus, and
- there is no negative opinion of the Compliance Department of ACBA BANK OJSC on the share acquisition / subscription transaction;
- as well as none of the circumstances set forth in sub-clause e) of clause 3.4.2 is available.

#### ***d. The circumstances in which the offer may be postponed or canceled***

*Cases of postponement or cancellation of the offer are regulated by Article 20 and Article 21 of the RA Law "On Securities Market".*

1. If the investor submits a supplement to the prospectus during the placement, which is related to a significant change in the information contained in the prospectus, to the emergence of a new significant circumstance or fact, they are obliged to cancel the acceptance given by the investor and return the funds received during the subscription or repurchase the securities sold to the investor prior to filing, at least at the cost of acquiring the securities.

The repurchase request must be submitted in writing to the placement body. The deadline for submitting a repurchase request is 5 working days after the publication of the addition to the Prospectus.

Repurchase of securities and return of the funds, received during the placement, are made within a maximum of 10 working days after submitting the request.

2. The Central Bank by its decision suspends the placement process, if:

- during the placement, the law and (or) the requirements of other legal acts regulating the proposal, were violated;
- there was non-compliance with the terms of the public offer, specified in the Prospectus during the placement;
- the Prospectus contains significant errors and misleading information, or an essential fact is missing in it or is distorted.

3. The decision to suspend the placement must contain the instruction on elimination of detected violations and shortcomings and deadlines for its execution, after which the placement may continue with the permission of the Central Bank.

4. At the initiative of the placement body, the placement process may be suspended only with the consent of the Central Bank for a maximum of 10 working days. If the placement does not continue within one working day from the end of the suspension period, the plaintiff is obliged to terminate the placement and return the funds received during the placement to the persons who acquired the securities within 10 working days after the end of the suspension period.

5. The placement body is obliged to publish the information on the termination and continuation of the placement, termination of placement and return of the funds

received during it, at least by the means by which the announcement of the public offer was published.

*In case of delay or cancellation of the offer, the return of funds is made on the basis of the application of the person who submitted the subscription application, in the manner specified in the application, in cash or non-cash - by transferring to the account specified in the application.*

***e. The possibility of reducing the subscription, as well as the method and form of returning the amounts paid by the applicants (investors, submitting the applications) in that case***

The placement will be carried out under the following conditions:

The subscription is considered executed, in case of securing any volume of the placement.

Applications are accepted in the order of period for fully meeting the requirements of the Prospectus.

The investor in the Bank's shares is notified of the approval of its application on the day of approval of the application.

The reduction of the subscribers of the applied investors is carried out as follows:

- if the number of shares, specified in applications, submitted as a result of the summary, exceeds the number of shares subject to placement, the priority is given to earlier submitted applications;
- according to the number of shares to be placed, the last application that fills the quantity can be satisfied partially.

In case of partial satisfaction of the application, if there is an amount to be returned to the investor, then within 2 (two) working days after the placement, the mentioned amount is subject to return by the Issuer, which is done by non-cash transfer to the bank account of the respective investor.

Applicants for the acquisition of shares shall be aware that in case their applications are not satisfied or partially satisfied, the saving of the amounts paid for the acquisition of shares in a special account until the moment of their return, is not considered to be an illegal storage of funds or avoidance of their return, and no interest is accrued on them.

***f. The minimum and maximum amounts that can be stated in the purchase (subscription) applications.***

The minimum number of shares to be purchased applicable to a shareholder is 4 (four) shares and the maximum number is 100 000 (one hundred thousand) shares.

***g. The period during which the application can be withdrawn, provided that investors can receive the subscription fees back***

Applications submitted by investors that fully meet the requirements set out in the Prospectus are not subject to withdrawal.

***h. Methods of making payments for securities (periodicity, bank accounts, etc.) and terms, as well as methods of receiving securities and terms, the way to receive a statement on the ownership of securities.***

The methods for paying the required amount for the acquisition / subscription of shares are defined in subclause c) of Clause 3.4.1 of the Prospectus.

The right of ownership of shares shall be registered in the "Central Depository of Armenia" OJSC, while the statements, confirming the ownership, are provided by the Account Operator, servicing the investor's securities account, by the established procedure.

The investor pays for the registration of the property right, as well as for the provision of the property certificate according to the tariffs set by the account operator of the Central Depository of Armenia OJSC. The buyer's right of ownership over the share arises in the Central Depository of Armenia or any other custodian licensed by the Central Bank of Armenia, from the moment of registration of the share in the name of the buyer. The buyer can exercise its rights from shares, after the end of the whole placement process and summarizing of the placement results by the General Meeting of the Bank and after registration of the charter, reflecting the change of statutory capital (charter with a new edition) of the Bank by the Central Bank of the Republic of Armenia.

The shares shall be transferred to the buyer's account maximum of 10 working days upon registration of the charter, reflecting the change of statutory capital (charter with a new edition) of the Bank by the Central Bank of the Republic of Armenia.

***i. Full description of the terms and form of publication of the results of offer***

The results of the issue and placement of shares are published on the Bank's website within 3 working days following the day of the end of the placement.

***j. Description of the process of exercising the right of preference***

The right of pre-emption is not envisaged during the placement of shares, and the bids are approved according to the order of the period of fully satisfying the requirements of the Prospectus.

***3.4.2. Placement plan***

***a. The groups of investors to whom the offer is addressed***

The offer of shares is addressed to the RA resident and non-resident individuals and legal entities. The offer of the Bank's shares will be implemented on the principle of open subscription and free sale through "ACBA BANK" OJSC. The above-mentioned public offer is made in the Republic of Armenia, without limiting the possibility of participation of foreign persons, observing the provisions of free circulation of shares described in **section "h" of Clause 3.3.1** of this Prospectus.

***b. Participation of the Bank's shareholders or management members in the offer***

The Bank has no information on 5 and more percent subscription of the major shareholder, members of the governing body or any other person.

***c. Informing investors about the satisfaction of bids***

The investor in the Bank's shares shall be notified of the satisfaction of the Bid submitted by them at the time of submitting the Bid.

***d. Certain tranches for small investors, institutional investors or Bank employees***

There is no separate tranche for small investors, institutional investors or Bank employees.

***e. Satisfaction or rejection of subscription applications***

The bids are approved according to the order of the period of fully satisfying the requirements of the Prospectus.

If the number of shares mentioned in all the submitted bids exceeds the number of shares subject to placement, priority shall be given to the previously submitted bids.

The last bid to fill the number corresponding to the number of shares to be placed may be partially satisfied.

The application can be rejected in the following cases:

- The documents submitted by the investor for the purpose of acquiring shares / subscribing are incomplete or false;
- For the given investment prior approval of the Central Bank of Armenia is required and the Central Bank has refused to provide prior approval;
- There are no more shares, subject to placement.

In this case, in order to return the money, paid by the applicants (investors who submitted the application) the corresponding amount is paid to the investor from the account of the placement body.

### ***3.4.3. Offer price***

***a. The price at which the shares will be offered***

The price of placement of shares, issued by ACBA BANK OJSC, by the Board of the Bank is set to 15 000 (fifteen thousand) AMD. The investor does not pay for any other consulting and subscription services, provided by "ACBA BANK" OJSC during the subscription. The fees for the services, provided by the account operator of "Central Depository of Armenia" OJSC are paid according to the account operator tariffs, with which investors can be informed on the official website of "Armenian Stock Exchange" OJSC [www.amx.am](http://www.amx.am).

***b. Offer price disclosure process***

In determining the placement price of the shares, the Board of the Bank estimated the value of the share at the amount of the total capital per share.

#### **3.4.4. Placement**

##### **a. Names and locations of individuals who have agreed to conduct underwriting**

The underwriting will not be carried out.

##### **b. Names and locations of individuals who have agreed to implement a private placement, including a best effort placement**

The private placement of shares will be carried out by "ACBA BANK" OJSC. The address of "ACBA BANK" OJSC is: 82-84 Arami str., building 89, 99, 100, Yerevan 0002, RA.

##### **c. Significant terms of contracts, signed with private placement and underwriting bodies and fees for placement**

Private placement of shares shall be carried out by "ACBA BANK" OJSC.

##### **d. Terms of signing of underwriting agreement**

The Issuer and the Underwriter are the same legal entity - "ACBA BANK" OJSC. The Issuer / Placer has not entered into a joint placement agreement with other placers and / or a group.

##### **e. Payment for securities and account opening**

Payments for subscription of shares are made in drams by one-time deposit or transfer to the transit account **220004131649000**, opened with "ACBA BANK" OJSC.

The registration of property rights to the offered shares (maintenance of the register of owners) will be carried out through the Depository, which will act as the General Custodian, in accordance with the legislation of the Republic of Armenia and the rules governing the activities of the organization.

Shares can be registered also by any custodian, licensed by the Central Bank of Armenia (subcustodian of Depository, the list and addresses of which are placed on the website of "Armenian Stock Exchange" CJSC [www.amx.am](http://www.amx.am)) through opening and maintenance of an account for the owner of securities with that custodian.

The address of the Depository is 26/1 Vazgen Sargsyan str., Erebuni Plaza, 5th floor, Yerevan 0010, tel.: +(374) 60 61 55 55, (ext. 111), +(374) 10 54 33 21, (ext. 136).

The Account Operator of maintenance of shares register is "ACBA BANK" OJSC.

Prior to the acquisition of shares, investors are required to open a personal securities account with the Depository or any other licensed sub-custodian.



### **3.5. Permission to trade and organization of trade**

#### **1) Commercial permission**

Later a permission to trade for the offered securities will be requested in "Armenian Stock Exchange" OJSC. The application on trade permission may also be denied. The application on trade permission shall be submitted within 5 working days after the placement is completed.

#### **2) Names of the markets where the same class of offered securities is already allowed to trade**

The Bank's ordinary shares are currently not listed in "Armenian Stock Exchange" OJSC.

#### **3) Names of the persons, who have an obligation to provide liquidity in the secondary market with regard to the offered securities**

The Bank has not yet signed an agreement with professionals to use the services of a market maker in the secondary market.

The Bank is obliged to sign a market maker contract with specialists in the secondary market, after which it will publish the necessary information in the manner prescribed by law.

#### **4) Price stabilization measures**

*No price stabilization measures are planned.*

### **3.6. Selling shareholders**

By this Prospectus, no sale offer is planned for the shares owned by current shareholders.

The offer applies only to ordinary shares additionally placed by the Bank.

The major shareholder of the Bank expresses its desire to maintain its own stake and to continue acting as a controlling shareholder of the majority of the Bank's shares.

### **3.7. Issue and supply costs**

The amount of possible attracted net amounts is calculated as the difference between the gross sums collected and the costs incurred for collection. By the Bank's estimates, the possible gross amounts collected will total to 7 500 000 000 (seven billion five hundred million) AMD. The collection costs are as follows: state duty for registration of the Prospectus - 50 000 (fifty thousand) AMD, marketing costs – up to 35 000 000 (thirty five million) AMD.

### 3.8. Additional information

**1) *The advisors, involved in connection with the information presented in this section and the scope of their competence***

No advisors were involved in connection with the information, provided in this section.

**2) *Audit conclusion, submitted by the independent auditor on the information presented in this section***

The data of this section are not separately audited by an independent auditor.

Except for the Issuer's historical financial statements, presented in this Prospectus, that have been audited by independent audit companies, no other information contained in this Prospectus has been audited by independent audit companies. The copies of the statements and the conclusions, provided by the independent audit companies, are presented in **Article 3 of the Prospectus**.

**3) *Information submitted by third parties related to this section***

Information, taken from the third parties – not available.

## UNIT 4. INFORMATION ABOUT THE BANK

### 4.1. Independent auditors

An external audit is convened by the Bank every year in accordance with the RA legislation. The purpose of the audit is to obtain sufficient assurance that the financial statements are free from significant misstatement.

The independent audit of the Bank for the last five years was carried out by:

- 2016 -2020 - Ernst & Young CJSC.

On April 25, 2019, the Board of the Bank made the decision to choose the audit organization to audit the financial and economic activities not only of 1, but 3 years (2019-2021), which is more appropriate both for the Bank and for the person, making the audit. For this purpose, new tender has been announced and the winner of the tender has been declared again "Ernst & Young" company, which is a member of the global "Ernst & Young" (EY) international auditing and consulting company. The company started its activities in Armenia in 2008.

The address of "Ernst & Young" CJSC is: 1 Northern ave., office 27, tel.: + (374)10 50 07 90, website: [www.ey.com/am](http://www.ey.com/am). The director of the organization is Erik Hayrapetyan.

Historic independent financial audit findings are presented in **Appendix 3**.

### 4.2. Risk factors

Like any financial activity, banking always involves risk. Banking risk is the probability that the bank will not make a profit as a result of the given activity, will receive a profit significantly lower than the planned volumes or will suffer a loss.

In any economic activity, especially banking, the concept of zero risk is impossible; the question is not the exclusion at all, but the assessment of its correct volumetric characteristics and effective management.

Risk management "ACBA BANK" OJSC is the most important part of the management system and it presents integrity of interconnected actions for the prevention and reduction of potential losses. The risk management process is extremely important to maintain the profitability of the Bank.

Each of the risks, presented below, may cause the deterioration of the Bank's financial position, financial performance and cash flows, as well as decrease of market position, competitiveness and long-term development, which in turn can lead to the non-performance of commitments undertaken by the Bank in full or partially or make the fast and deficient sale of the shares and receipt of dividends by the investors complicated to a certain degree in the future.

Investors shall also keep in mind that the risks presented below are not all the risks that the Bank may ever incur. There may be additional risks that the bank does not currently consider significant, or that are not currently known to it, and any such risk may result in a partial or total loss of the investor's funds.

During its activity, the Bank faces the following main risks:

**Credit risk** - The Bank is exposed to credit risk, which is the risk of financial loss when the borrower or the contracting party of the financial instrument is unable to perform its contractual obligations to the Bank, which affects its operations, incurs additional costs, and negatively affects the profits.

Credit risk is one of the main risks of the Bank, which is why the Bank monitors it very carefully. Credit risk is mainly related to credit operations, which lead to the provision of loans and borrowings, investment activities, which add debt securities to the Bank's asset portfolio, and other debt instruments. Risk is also present in off-balance sheet financial instruments, such as credit liabilities.

Credit risk management and control is carried out by the Bank's Risk Management and Compliance Department. The reports are regularly submitted to the Bank's Board, Risk Management Committee and Chief Executive Officer.

According to the Bank's loan portfolio risk analysis, the Bank's portfolio has the following structure:

Loans to customers and other loans	31.12.2020 (audited)	31.12.2019 (audited)
<b>Loans, including:</b>	315,211,734	282,985,066
Group 1 <sup>3</sup>	273,686,080	268,703,732

<sup>3</sup> **Group 1:** At the time of initial recognition of a financial instrument, it is generally classified in Group 1. Group 1 includes loans that have had a significant improvement in credit risk at the reporting date and have been transferred here from Group 2.

Group 2 <sup>4</sup>	25,070,067	3,886,977
Group 3 <sup>5</sup>	16,140,724	10,055,157
POCI <sup>6</sup>	314,863	339,200:
Reserve for possible losses	12,193,177	7,541,759

In order to effectively manage credit risks, the Bank facilitates loan portfolio diversification, monitors various types of concentrations, continuously monitors the condition of individual loans, regularly assesses the solvency of its customers, adjusting lending limits as necessary, and the minimum acceptable score.

The bank uses a variety of measures to mitigate credit risk, in particular, reducing credit risk through collateral. The Bank establishes rules on the acceptability of certain types of collateral or the mitigation of risks.

The main types of collateral for loans and borrowings are:

- Real estate pledged under mortgage agreements
- Operational assets of organizations: buildings, other fixed assets, resources
- Financial instruments: debt and equity securities
- Movable property.

Collateral for different financial assets is determined by the nature of the financial instrument.

**Liquidity risk** is the risk that the Bank will not have sufficient liquidity to repay its commitments on time. Liquidity risk arises from non-conformity of maturity of assets and liabilities.

Asset and liability maturity and / or controlled non-compliance is an essential factor in liquidity management. Full compliance of maturity of assets and liabilities is not typical for financial institutions due to the variety of transactions and the uncertainty of maturities. Non-conformity makes it possible to increase profitability, but it can also increase liquidity risk.

To mitigate this risk, the Bank raises additional funds in addition to its main deposit base, manages assets taking into account liquidity risk, analyzes future cash flows, and liquidity on a daily, weekly, and monthly basis. This includes estimates of expected cash flows. The Bank maintains a highly liquid, decentralized asset portfolio that can be easily cashed in the event of an unforeseen disruption to cash

<sup>4</sup> **Group 2:** Loans characterized by a significant deterioration in credit risk from the moment of disbursement are transferred to Group 2, for which the reserves are made on the basis of estimated NPLs (credit loss of assets) for the entire maturity period. The loan can be classified in Group 2 at the time of disbursement, if it meets the classification criteria of Group 2, such as a refinancing requirement. Irrespective of other available reasons, the loan is transferred to Group 2 when it's overdue for the 31 day.

<sup>5</sup> **Group 3:** All impaired assets are transferred to Group 3, for which the reserve is made on the basis of estimated NPLs for the entire maturity period.

<sup>6</sup> **POCI:** Purchased or originated credit-impaired (POCI) assets are financial assets that are impaired at initial recognition. These assets are carried at fair value at initial recognition and the interest income is subsequently recognized at the effective interest rate adjusted for credit risk. The NPL is only recognized or derecognised to the extent that the estimate of expected credit losses over the life of the asset changes.

flows. In addition, at the request of the Central Bank, the Bank maintains mandatory reserves in the Central Bank in the size of 4% of its monetary liabilities in AMD and in the size of 10% and 8% of the liabilities in AMD and foreign currency, correspondingly AMD and foreign currency, which is a reserve buffer to maintain the possible outflow.

Liquidity position is assessed and managed in case of different scenarios, taking into account the stress factors, related to the market in general and to the Bank in particular. Liquidity management of the bank requires taking into account the level of liquid assets required to repay liabilities on time, ensure access to various sources of financing, the availability of an emergency financing plan, and monitor the balance sheet liquidity standards in accordance with regulatory requirements. The Bank calculates liquidity ratios in accordance with the requirements of the Central Bank of Armenia.

Below are the liquidity ratios for 2018-2020.

Norms	Acceptable value, set by the CBA	Actual value 31.12.2020 (audited)	Actual value 31.12.2019 (audited)	Actual value 31.12.2018 (audited)
$\mathcal{L}_2^{1*}$	Minimum 15%	24.74%	23.8%	28.47%
$\mathcal{L}_2^{2**}$	Minimum 60%	125.48%	157.38%	170.07%

\* Minimum ratio of the bank's highly liquid assets to total assets

\*\* Minimum ratio of the bank's highly liquid assets and receivables

**Interest rate risk** - This risk is the risk that future cash flows of financial instruments or their fair value may change as a result of adverse interest rate changes. Fluctuations in market interest rates may affect the Bank's financial condition, income / expense and cash flow.

**Foreign currency risk** - This risk is the risk that assets denominated in foreign currency exceed or are less than liabilities denominated in the same currency. Therefore, the Bank may bear foreign exchange risk in the presence of open foreign exchange positions.

The Bank's governing bodies have set limits for currency positions. Positions are monitored on a daily basis. Foreign exchange risk in the Bank is quite low, as the Bank pursues a balanced, low-risk policy.

**Price risk** - This risk is the risk of losses for the Bank as a result of changes in the prices of tangible assets (property, collateral).

**Operational risk** - The probability of loss of funds due to mistakes, technical malfunctions and frauds due to the actions of employees. Of the risks associated with the failure of technical assets, the risks endangering the complete maintenance of the database are of greater importance to the Bank. In this regard, the Bank regularly archives the database, copies of which are stored both on the Bank's servers, computers and external drives. In order to reduce the risks caused

by human factors, the Bank has introduced an internal control system, the elements of which are double verification of transactions and approval by at least two persons, regular audits of the Bank, regular audits by the permanent controller, etc.

**The risk of changes in the legislative and regulatory framework** arises as a result of legislative changes, which may affect both the Bank's activities and the market situation. Banking is an activity subject to licensing and regulation by the state authorities and is one of the most controlled sectors of the Armenian economy. The purpose of state regulation in the field of banking is the protection of the rights of investors and customers, which is carried out by defining the standards of economic activity and banking risk management systems. This means that changes in government regulation are possible, which can significantly affect the Bank's operations and even negatively affect the Bank's performance.

**Reputation risk** – the probability that the negative public opinion about the Bank (true or false) will lead to a decrease in the number of customers, a reduction in the volume of transactions with counterparties / customers, a decrease in the cost-effectiveness of litigation and decrease of profitability. In this regard, the Bank appreciates its good reputation and makes every effort to maintain the Bank's reputation. The Bank takes appropriate measures to comply with the requirements of international sanctions (in particular, those applied by the United Nations, the European Union, France and the United States) so as not to risk reputation.

**Non-compliance risk** - the risk of legal, administrative or disciplinary sanctions against the Bank, the risk of significant financial losses, the risk of non-compliance, which is the result of not adhering to the legal and regulatory requirements, governing banking and financial activities, the Bank's internal legal acts, instructions of the executive management, rules of professional conduct and ethics.

In order to effectively manage and control this type of risk, the Bank has developed internal financial security policies, legal acts, strict control measures to ensure that its activities comply with the ML/TF regulatory requirements set by law and regulations. The Bank periodically, but not later than once a year, reviews its possible ML/TF risks.

**Country risk** - depends on the level of socio-economic development of the country, its place, role, as well as the prevailing political situation. Geo-political situation and unfavorable changes may cause such negative factors that may have adverse effects on the overall economic situation, could lead to a reduction in economic activity and income of population, which would affect all sectors of economy, to which the Bank provides loans. In order to effectively manage and reduce risks, the Bank regularly conducts analyzes of various scenarios of the impact of possible negative changes in the economy.

**Competitive risk** - the probability of losing potential Bank revenues due to the provision of similar services by rival banks in the market on more favorable terms. The risk of competitive conditions arises in the conditions of constantly intensifying competition in the market of banking services of the Republic of Armenia.

The banking services market of the Republic of Armenia is highly competitive and in order to strengthen its competitive position, the Bank is guided by the principles of corporate governance, introduces innovative banking technologies and improves the quality of services provided.

Realizing the above-mentioned risks, "ACBA BANK" OJSC constantly defines and implements a strategy that will promote effective risk management and mitigation mechanisms.

### 4.3. Information about the Bank

#### 4.3.1. Issuer's History and Development

##### a. Issuer's name and organizational and legal form

**The full name of the bank is:**

**Armenian:** «ԱԿԲԱ ԲԱՆԿ» բաց բաժնետիրական ընկերություն  
**English:** "ACBA BANK " Open Joint Stock Company.

**The short name of the bank is:**

**Armenian :** "ԱԿԲԱ ԲԱՆԿ"  
**English:** "ACBA BANK".

The bank was established on 28 August 1995 by the decision of the General Assembly and on the basis of the founding agreement signed on December 1, 2006 as a "Rural Mutual Aid Bank of Armenia" cooperative bank. Then, on 3 March 1996, it was registered in the Central Bank (registration certificate No. 0170), and on March 29 of the same year, it was granted a banking license No. 70. On 29 September 2006, by the decision of the General Meeting of Shareholders, the Bank was reorganized and renamed "ACBA-CREDIT AGRICOLE BANK" Closed Joint-Stock Company. On 29 April 2020, "ACBA-CREDIT AGRICOLE BANK" Closed Joint-Stock Company was reorganized and renamed "ACBA BANK" Closed Joint-Stock Company by the decision of the General Meeting.

"ACBA BANK" OJSC operates according to the legislation of the Republic of Armenia and is regulated by the Central Bank.



The trademark of the bank is:

which was registered by the Agency for Intellectual Property on 12 February 2021.

##### b. Place and number of state registration

The place of state registration of the bank is: 82-84 Arami str., 89, 99, 100 areas, Yerevan 0002, RA.

The state registration number of the bank is 70.

##### c. Establishment data



"ACBA BANK" OJSC (formerly, Rural Mutual Aid Bank of Armenia" cooperative bank) was established in the framework of the European Union's "TACIS" program in 1996.

The "Credit Agricole Consultant" consulting service of the French "Credit Agricole" bank, together with the Dutch "Rabobank" and the German "DG-Agroprogress" companies successfully implemented the three-stage program of the bank's establishment.

- In the first phase of the program (1993-1994), the possible options for financing Armenia's agriculture were studied, as a result of which the idea of creating an agricultural bank based on the model of the European Cooperative Bank was proposed.

- From September 1994 to December 1995, the structural establishment of the Bank was achieved, the main achievement of which was the establishment of 60 rural mutual aid units. Rural mutual aid units were established in four regions of Armenia: Armavir (Echmiadzin), Ararat (Artashat), Shirak (Gyumri) and Vayots Dzor (Yeghegnadzor).

- The operational establishment (1996) was marked by the establishment of the Bank and its three branches, as well as the issuance of a banking license on 29 March 1996 by the Central Bank of the Republic of Armenia.

The significant shareholder of the bank is:

- "ACBA FEDERATION" Closed Joint-Stock Company, whose share in the statutory capital of the Bank is 95%.

Currently, "ACBA BANK" OJSC (in the market for around 2 to 5 years) is one of Armenia's largest and financially stable banks.

#### d. Location and contact details of the Bank

The location of the bank is 82-84 Arami str., Yerevan 0002, RA.

Means of communication:

Tel.: + (374) 10 31 88 88,

Fax: + (374) 10 54 34 85,

Email: [acba@acba.am](mailto:acba@acba.am),

Website: [www.acba.am](http://www.acba.am).

The country of establishment of the bank is the Republic of Armenia.

The bank has 62 branches and the Head Office.

The address of the Head Office is 82-84 Arami street, 89, 99, 100 areas, Yerevan.

The addresses of the branches are:

1. "Kentron" branch, 82-84 Arami Str., Yerevan
2. "Teryan" branch, 7 Sayat-Nova Str., 12 area, Yerevan



3. "Sayat-Nova" branch, 8 Sayat-Nova, 21/1 area and 22 Abovyan, 1/1 area, Yerevan
4. "Shengavit" branch, 16/2 Bagratunyats street, Yerevan
5. "Armenia" branch, 10 V. Sargsyan street, 123,124 areas, Yerevan
6. "Tigran Mets" branch, Erebuni, 74 Tigran Mets Avenue, 56-57 areas, Yerevan
7. "Malatia" branch, Malatia-Sebastia district, 55 Raffi Str., b.1/1, Yerevan
8. "Davtashen" branch, Davtashen I district, 42/2, Yerevan
9. "Zeytun" branch, 13/5 D. Anhaght Str., Yerevan
10. "Yeritasardakan" branch, 36 Abovyan Str., 49, Yerevan
11. "Komitas" branch, 56 Komitas Avenue, 167, Yerevan
12. "Arabkir" branch, 64a Sundukyan street, 2/1 non-residential area, Yerevan
13. "Nor Nork" branch, 16/46, Gay Avenue, Yerevan
14. "Yerevan Mall" branch, 34/3 Arshakunyats, h. 93, Yerevan
15. "Opera" branch, 42 Mashtots Avenue, 17/1, Yerevan
16. "Caesarea" branch, Malatia-Sebastia, 93/3, 93/5 Sheram str., Yerevan
17. "Shinararner" branch, Ajapnyak, 15 Shinararner street, 156 non-residential area, Yerevan
18. "Armavir" branch, 16 Yerevanyan, Armavir
19. "Etchmiadzin" branch, 30 Mashtots str., Echmiadzin
20. "Metsamor" branch, 1st district, apt. 2, 1-6, Metsamor
21. "Ararat" branch, 31 Shahumyan str., Artashat
22. "Masis" branch, Central Square No. 3, Masis
23. "Vedi" branch, 42/2 Araratyan, Vedi
24. "Araks" branch, 45/1 Shahumyan, Ararat
25. "Aragatsotn" branch, 1/1 N. Ashtaraketsi Square, Ashtarak
26. "Aragats" branch, 1/2 Hoktemberyan str., Tsaghkahovit
27. "Ashtarak" branch, 1 Yerevanyan str., Ashtarak
28. "Talin" branch, 4 Komitas, Talin
29. "Aparan" branch, 37 Baghramyan, Aparan
30. "Shirak" branch, 23 Pushkin, Gyumri
31. "Ani" branch, Ani district, 7th street, 5/2, Gyumri
32. "Gyumri" branch, 18a Shirakatsi str., Gyumri
33. "Artik" branch, 28/1 Ankakhutyan, Artik
34. "Ashotsk" branch, Shirak region, Ashotsk village
35. "Maralik" branch, Maralik, 13 Freedom Square
36. "Gegharkunik" branch, 6 Boshnaghyan str., Gavar
37. "Martuni" branch, 52 Yerevanyan, Martuni
38. "Sevan" branch, Nairyan 2nd alley, No. 2, 3, Sevan
39. "Vardenis " branch, 5/1 Romani, Vardenis
40. "Lori" branch, 22a Tigran Mets str., Vanadzor
41. "Tashir" branch, Kirov str., District 5, No. 192, Tashir
42. "Spitak" branch, S. Avetisyan No. 3, Spitak
43. "Alaverdi" branch, 59 Tumanyan, Alaverdi
44. "Stepanavan" branch, G. Nzhdeh 9, Stepanavan
45. "Tavush" branch, 6/4 Valence Str., Ijevan
46. "Noyemberyan" branch, 2 Barekamutyan, Noyemberyan
47. "Berd" branch, 1/3 Levon Beck, Berd
48. "Dilijan" branch, 37/2 Myasnikyan str., Dilijan
49. "Kotayk" branch, 4/2 Hatis Str., Abovyan
50. "Yeghvard" branch, 48 Charents, Yeghvard

51. "Hrazdan" branch, Kentron district, adjacent to the 31st building, Hrazdan
52. "Charentsavan" branch, Khanjyan street 2/1-2/3, Charentsavan
53. "Syunik" branch, 4 Aram Manukyan, Kapan
54. "Goris" branch, 2/5 Ankakhutyan, Goris
55. "Sisian" branch, 39 Sisakan str., Sisian
56. "Vayots Dzor" branch, 37 V. Zoravar str., Yeghegnadzor
57. "Vayk" branch, 98/3-4 Shahumyan, Vayk
58. "Baghrmryan" branch, Myasnikyan community, Yerevanyan street, 10/1 administrative building
59. "Erebuni" branch, 23 Erebuni street, area 74, Yerevan
60. "Meghri" branch, 1 Z. Andranik street, cinema building, Meghri
61. "Chambarak" branch, G. Nzhdeh street 127/2 service office, Chambarak
62. "Garni" branch, Garni village, 28 Alekryan street, 28/1.

The Bank does not have representative offices inside and outside the territory of the Republic of Armenia.

*e. Significant cases*

From 1996 until now, ACBA Bank registered a steady development rate. Due to its financial stability, reliability, the bank has gained a great reputation and trust both in Armenia and in the international financial arena.

The Bank's activities were initially aimed at financing Armenia's agriculture. In 1996, the Bank provided only short-term seasonal agricultural loans. In the years following its establishment, the Bank gradually provided loans for non-agricultural projects in rural areas, and since 1999, also for the development of small and medium-sized businesses.

\*\*\*\*

**In 1999**, the Bank was recognized as the best bank of the year by the Union of Banks of Armenia.

The same year, the bank joined SWIFT and FACET systems and open correspondent accounts in the French «CREDIT AGRICOLE» and Dutch «ABN AMRO» banks.

\*\*\*\*

**In 2000**, the Bank's activities received very high marks in the international arena, particularly "The Banker" magazine of the British reputable "The Financial Times" organization, named the Bank the best bank of the year. Later, in 2001, 2002, 2006 and 2008 in the same magazine by ACBA-CREDIT AGRICOLE Bank (present "ACBA Bank") is recognized as the best bank of the year in Armenia. "ACBA-CREDIT AGRICOLE Bank" was recognized as the best dealer in the government bond market by the RA Ministry of Finance and Economy and the Central Bank of Armenia. Since 2000 up until now, the Bank has been a founding member of the processing center of "Armenian Card" CJSC.

\*\*\*\*



**In 2001**, "ACBA-CREDIT AGRICOLE Bank" (present "ACBA Bank") has issued the first ArCa Classic payment card.

\*\*\*\*

**In 2002**, the Bank became the full member of the VISA International payment system and by the end of the year released the first VISA Electron, VISA Classic, VISA Business and VISA Gold cards. During the year the Bank occupied a leading position in the Armenian banking system with its total capital.

\*\*\*\*

**In 2003**, "ACBA-CREDIT AGRICOLE Bank" was considered the leader in the volume of credit investments in the real sector in the banking system of Armenia.

"ACBA-CREDIT AGRICOLE Bank" is the first bank, which was granted the certificate ISO 9001:2000 of the international company of quality management by the international audit company. In the same year, the Bank obtained a VISA International payment system license for servicing VISA cards issued by other banks at trade and service points.

The most significant event of 2003 was the establishment of "AGBA LEASING" CJSC, the first registered specialized leasing company in Armenia.

\*\*\*\*

**Since 2006**, the reputable French "CREDIT AGRICOLE SA" banking group became the 28% shareholder of the Bank, and the Bank was reorganized into "ACBA-CREDIT AGRICOLE BANK" CJSC until April 29, 2020. In 2006, the Bank was the sole leader of the Armenia's banking system.

\*\*\*\*

**In 2007**, the Bank purchased the shares, belonging to the "Credit Agricole Leasing Factoring" JSC, the member of "CREDIT AGRICOLE SA" banking group, becoming the owner of the controlling stake of shares of "AGBA LEASING" CO CJSC.

International rating agency Fitch granted the Bank with the long-term issuer ranking BB (with a stable perspective).

In August 2007, the European Bank for Reconstruction and Development (EBRD) together with Citigroup, one of the largest banks in the world, for the first time in the history of banking in Armenia, provided the Bank with a syndicated loan for lending to small and medium-sized enterprises (including those located in remote areas of Armenia), operating in Armenia.

\*\*\*\*

**In 2008**, the Bank was recognized as the leading universal bank of the Armenian banking system.

\*\*\*\*

**In 2009**, despite the unfavorable situation for the operation due to the global economic and financial crisis, the Bank continues to be the leader by almost all of the most important indicators of banking activities and by the amount of taxes paid to the state budget becomes the first in the banking system.

In 2009, almost half of the profits of the banking sector accounted for ACBA-CREDIT AGRICOLE Bank.

\*\*\*\*

**In 2010**, for the first time the Bank exceeded 100 billion drams in the history of banking by the volume of credit investments made in the real sector.

In 2010, ACBA-CREDIT AGRICOLE Bank is the only bank in the Armenia's banking system that produces and serves 3 large international (AmericanExpress, VISA International, MasterCard International) and one national (ArCa) payment card systems.

During the same year, achieving a high level of international transfers, the German "Commerzbank AG" bank awarded ACBA-CREDIT AGRICOLE Bank with the "Quality Excellence Award".

\*\*\*\*

**In 2011**, the Government of the Republic of Armenia implemented a program to subsidize interest rates of agricultural loans, within the framework of which more than 94% of the provided loans were provided by ACBA-CREDIT AGRICOLE Bank.

\*\*\*\*

**In 2012**, the Bank was again considered the largest taxpayer in the Armenian banking system. The Bank was awarded by the Austrian "Raiffeisen Bank International" for the high quality of international transfers.

\*\*\*\*

**As of 2013**, the total assets of ACBA-Credit Agricole Bank's amounted to 9% of the gross volume of the assets of the Armenia's banking system, and 12% of the total equity.

Together with the leader of asset management of Europe "Amundi Asset Management" company, ACBA-CREDIT AGRICOLE Bank established "Amundi ACBA Asset Management" CJSC.

\*\*\*\*

**In 2014**, the Bank introduced 4 new express money transfer systems in the transfer market: Converse Transfer, Sigue Money, Anelik Online and Tandem Transfers.

Being one of the largest organizations in Armenia, it has introduced a Corporate Social Responsibility system, the priorities of which are the support of remote border settlements, protection of the environment, preservation of historical and cultural values, implementation of youth programs.

\*\*\*\*

**In 2015**, the Bank implemented the structural changes that created 3 main directions of banking business: agricultural, retail, SME and corporate.

\*\*\*\*

**In 2017**, in the corporate business solutions market, ACBA-CREDIT AGRICOLE Bank signed a contract with the world's leading SAP company, under which the Bank performs the complete digital transformation of the Bank through the use of modern solutions of SAP.



As a result of the digital transformation of ACBA-CREDIT AGRICOLE Bank, using internationally recognized SAP solutions, the Bank will respond interactively to all customer needs, provide a package of services, solutions that will best meet their needs, and be as effective as possible.

In 2017, the Bank also issued new "ARCA-MIR" chip cards of the Russian MIR payment system.

\*\*\*\*

**In 2018**, the Bank expanded its range of partners in the international card business. Thus, as a result of cooperation between the Japanese JCB Co. International and ACBA-CREDIT AGRICOLE BANK International, for the first time in Armenia the service of JCB cards with about 117 million cardholders in the world has started.

\*\*\*\*

**In 2019**, ACBA-CREDIT AGRICOLE BANK attracted a subordinated loan of 9 million euros from two international financial organizations, which is another proof of the confidence of international investors in the Bank.

In the same year, as a result of the cooperation of ACBA-CREDIT AGRICOLE Bank and Chinese UnionPay International, UnionPay card service was launched in Armenia.

\*\*\*\*

**In March 2020**, Fitch Ratings awarded ACBA BANK with "long-term liabilities issuer" B+ rating (long-term Issuer Default Rating IDR).

According to a report published by the agency, the Bank received such an assessment due to its internal financial viability. In determining the obtained rating, the absolute leading position of the Bank in the field of agricultural financing, infrastructure saturation, including the presence of branches in all regions of the country, as well as the high level of liquidity and the high quality of assets were taken into account.

**On 29 April 2020**, by the decision of the General Assembly "ACBA-CREDIT AGRICOLE BANK" CJSC was reorganized and renamed "ACBA BANK" open joint-stock company.

\*\*\*\*

Currently, ACBA BANK is one of the largest banks in Armenia.

The bank provides universal banking services, such as agricultural, commercial, consumer and mortgage loans, account servicing, service of demand and time deposit, issuance and service of local (ArCa) and international (VISA, MasterCard, American Express) cards, 1 Russian (MIR) plastic card, foreign exchange transactions, electronic transfers, including express system transfers, remote banking services, registry maintenance and corporate securities custody, account management through ACBA ON-LINE system, ACBA Mobile mobile application.

ACBA BANK is a full service provider of SWIFT payment system, international VISA card payment system, founding member of local ArCa card payment system, exclusive issuer and service provider of American Express cards. ACBA BANK has received Principal Membership License and Merchant Acquiring licenses from VISA International Association. The Bank is also a member of the International Confederation of Agricultural Credit (CICA) and the Union of Banks of Armenia.



ACBA BANK operates in all regions of Armenia. 18 out of 62 branches of the Bank and the head office is located in Yerevan, the rest in 10 regions of Armenia. The number of employees is reaching 1518.

At the end of 2014, the Central Bank of Armenia launched the expansion process in the Armenian banking system. Although the banking system is quite capitalized, the requirements for system stability have been raised. In particular, the amount of the total capital of banks was revised and the threshold was raised from 5 billion AMD to 30 billion AMD, which was required to ensure by 1 January 2017. As of that date, such a requirement was met by 6 out of 21 commercial banks, operating in Armenia.

By the total capital, ACBA-Credit Agricole Bank (present ACBA BANK) is the second bank among those 6 banks.

As of December 31, 2020, the total capital of ACBA BANK was about 70 509 million AMD, which expressed in percentage makes 7.9% of the total capital of the Armenian banking system, the total assets - 495 632 million AMD, which is 7.5% of the total assets of the Armenian banking system, and the loan portfolio - 328 035 million AMD, which in its turn makes 8.1% of the loan portfolio of the total banking system.

#### **4.3.2. Investments**

##### **a. Significant investments**

During the historical financial period and after that until the registration of the Program Prospectus, significant investments by the Bank in the capital of other persons have not been made.

The bank's management has not made any commitment to make significant investments in the future.

### **4.4. Business Description**

#### **4.4.1. Main activities**

##### **a. Description of the Bank's functions and main activities**

During its 25 years of operation, the Bank has offered a variety of financial services to the general public. The Bank targets three main areas: agricultural, retail and SME. In order to continuously develop mutually beneficial cooperation with the mentioned spheres, the Bank intends to carry out significant work in the coming years.

The Bank offers products and services to the customers of the mentioned target spheres, which are based on meeting the needs of the latter. Studying consumer behavior and preferences, the Bank continuously offers its customers a wide range of financial solutions which meet the requirements of the latter.

The main services offered by the target directions are:

- provision of agricultural, commercial, consumer and mortgage loans,
- account service,
- attraction of demand and time deposits,
- issuance of local and international plastic cards and their service,

- foreign exchange operations,
- electronic transfers (including via express systems),
- remote banking services,
- maintenance of the register and custody of corporate securities,
- financing of international trade transactions (letters of credit, guarantees).

At the same time, in order to ensure the management of its assets, liabilities, liquidity, as well as to comply with the normative requirements of the Central Bank of the Republic of Armenia, the Bank is engaged in the following main directions:

- investments in bonds,
- other short-term investments (interbank loans, deposits, repos).

In the services provided by the bank, the credit investments made throughout Armenia are especially significant.

It shall be noted that:

- The Bank is the absolute market leader in the field of agricultural crediting in Armenia;
- Commercial loans are provided by the Bank mainly to legal entities and entrepreneurs in the commercial and service sector;
- Consumer loans include loans provided to citizens to finance consumer expenses;
- The bank also offers mortgage loans for the purchase of real estate in the territory of the Republic of Armenia, as well as for the purpose of renovation. Lending is carried out both with the Bank's resources and with the funds of "National Mortgage Company" RCO CJSC and "Apartment for Youth" RCO CJSC.

One of the key directions of the bank's activity is the expansion of a stable deposit base. The Bank continues to develop the demand and time deposit sector by attracting funds from individuals and legal entities (demand deposits are mainly formed on the basis of the current and card accounts of the borrower and cardholder customers of the Bank).

The Bank pursues an active policy of issuing and servicing local and international payment cards, making non-cash transactions more profitable, convenient and secure for cardholders. The bank is currently the only one in the market that serves 7 payment systems, and is the issuer of 4 card systems.

ACBA Bank now issues and serves 3 major international cards: American Express, Visa International, Mastercard Europe and cards of 1 national ArCa payment system. It shall be noted that in 2014 the Bank signed a new cooperation agreement with American Express, extending the agreement signed in 2009 on an exclusive basis for another 10 years. ACBA Bank now issues three types of American Express brand cards: American Express Gold, American Express Blue and American Express Cashback.

ACBA Bank, being one of the first partners of the Russian MIR payment system in Armenia, issues the "ARCA-MIR" chip card, as well as serves MIR payment system cards. The card operates as an ArCa card in the territory of the Republic of Armenia, and as a MIR card in the Russian Federation.

In order to expand the volume of card service in the territory of the Republic of Armenia, the Bank has already introduced card service of JCB and China Union Pay payment systems.



The Bank constantly performs certifications on a number of payment cards, improvements and technological innovations: VTS (Visa Token Service) functional certification and investment (NFC payments), 3DS2.0 technology certification, instant activation / termination of credit lines, replenishment of embossing machine, 3DS2.0 technology certification, etc.

The Bank constantly performs certifications on a number of payment cards, improvements and technological innovations: VTS (Visa Token Service) functional certification and investment (NFC payments), 3DS2.0 technology certification, instant activation / termination of credit lines, replenishment of embossing machine, contactless cash withdrawal from ATMs, 3DS2.0 technology certification, etc.

As of December 31, 2020, the number of cards issued by the Bank is about 287,000.

ACBA Bank has more than 400 ATMs, cash acceptance and currency exchange terminals located in the territory of the Republic of Armenia.

The Bank is also a leader in Acquiring payment instruments, has more than 5,000 own POS/vPOS terminals, as well as integrations with cash registers and POS terminals of other banks.

In order to ensure the growth of non-interest income, the Bank continuously develops digital business, including payment and settlement activities.

Up-to-date digital business development must be based on modern information technologies and infrastructure. The Bank has been making strategic investments in this direction since 2017. Under a contract with the world's leading corporate software solution provider, German SAP, the Bank launched a five-year large-scale digital transformation program in 2018, as a result of which the Bank has already established a state-of-the-art information base / infrastructure.

In this context, in April 2020, the Bank underwent significant changes in the administrative structure, which will allow to effectively solve the defined strategic issues. Within the framework of the above-mentioned changes, the Bank has established specialized departments of artificial intelligence - machine learning (AI / ML), process robotics (Robotic Process Automation) and data analytics.

Using RPA technology, the Bank implements the concept of digital workforce, which in the short to medium term will lead to a significant increase in the efficiency of operational processes and reduction of operating costs. Robots carrying out operational functions have already been introduced in the bank.

Real-time data analytics system enhances the Bank's management efficiency by enabling effective management decisions based on in-depth, comprehensive data analysis.

The application of artificial intelligence and machine learning algorithms in various spheres of the Bank's activity allows solving problems that are simply impossible to solve using other traditional technologies.

The continuous development and application of the above technologies in the Bank's business processes will allow to significantly increase the operational efficiency and will give the Bank significant competitive advantages.

The Bank is continuously developing remote digital banking services by introducing new digital ways of providing services. In particular, in September 2020, a completely new acba digital system was released, which allows users to use many banking services both through the web and mobile application (ios, android). The acba digital application also made it possible to make real NFC payments for the first time in Armenia (NFC service is now available only for Android and the Bank's VISA payment cards), allowing to use the smartphone as a means of payment.





The acba digital application includes solutions for both the bank's customers and non-customers of the Bank, in particular, account opening, attachment of cards issued by ARCA member banks, new visa virtual card orders, possibility of receiving international transfers, Visa Direct and MasterCard MoneySend card transfers, deposit processing, utility payments, online queuing, etc. (more on [acba.digital](http://acba.digital) website).

The development of digital platforms and products is of continuous nature, the main goal of which is to provide our customers with non-banking and banking services in real time (24/7), at the same time ensuring high operational efficiency. The Bank constantly performs certifications on a number of payment cards, improvements and technological innovations: VTS (Visa Token Service) functional certification and investment (NFC payments), 3DS2.0 technology certification, instant activation / termination of credit lines, replenishment of embossing machine, contactless cash withdrawal from ATMs, 3DS2.0 technology certification, etc.

The Bank continues to work diligently in the development of express money transfers by introducing the "Transfer by Phone Service", which allows customers to receive money transfers without visiting the Bank via the free ACBA Transfer card.

Ensuring high quality international transfers, ACBA Bank is now a member of 5 of 11 express money transfer systems operating in Armenia: MoneyGram, RIA Money Transfer, Unistream, Xpress Money, Converse Transfer.

In recent months, the Bank has also joined the instant transfer system of the Russian Sberbank.

The Bank has correspondent accounts with more than 10 international banks, which allows it to provide payment and settlement services to the Bank's customers in any freely convertible currency.

To carry out its activities, ACBA Bank uses both international SWIFT payment, Bloomberg information and BankMail and CBANet systems, operating in Armenia. ACBA Bank is always open to cooperate with reputable international financial and banking organizations, while remaining an attractive and reliable partner for these institutions.

The Bank is currently cooperating with the European Bank for Reconstruction and Development (EBRD), the European Fund for South East Europe (EFSE), the Development Finance Company of the Netherlands (FMO), the International Finance Corporation (IFC), ReponsAbility Investments AG, Black Sea Trade and Development Bank (BSTDB), Green for Growth Fund (GGF), Triodos Investment Management (Triodos Investment Management BV), Rehabilitation Lending Bank (KFW), the International Fund for Agricultural Development (IFAD), "Micro, Small & Medium enterprises Bonds SA", "Microfinance enhancement facility SA", "European investment Bank" (EIB) and other international financial organizations.

### ***b. Production of new products or provision of new services***

Being the first issuer of many banking services and products in Armenia, the Bank has maintained its competitive leading position for many years, constantly offering solutions to meet the needs of customers. The bank constantly studies the needs of customers and develops, introduces new products and services aimed at meeting customer needs, improving the quality of service, development of remote services.

In particular, one of the strategic goals of the Bank is the modernization of credit systems, the creation of automated decision-making systems and their integration into remote service systems. During 2020, the credit disbursement systems were modernized, ensuring the disbursement of loans in seconds. The bank has introduced automated decision-making systems for both consumer loans and agricultural loans. Work is underway to introduce automated lending systems for other segments.

One of the possible directions of development in the bank is the development of the card business, the introduction of new services as a result of studying international best practices. In particular, the Bank has recently introduced a new Visa Signature premium card type, which, in addition to traditional card services, also provides other services, such as insurance, concierge service, various discount programs, free admission to airport lounges, etc. The Visa Virtual Card was also introduced, which allows you to activate a payment card within a few hours and make payments in the virtual domain. It is also planned to introduce new card and payment services.

The bank plans to introduce advanced digital technologies, which will increase the quality of customer service, will provide an opportunity to use more comprehensive services.

#### **4.4.2. Main markets**

The Bank's activities were initially aimed at financing and supporting Armenia's agriculture. The establishment of the bank is based on the reforms implemented in the field of agriculture in 1991, as a result of which 938 large state and collective farms, operating in the country, were divided and small farms were formed. Since 1998, the Bank has been expanding its lending and other banking operations, gradually transforming into a universal bank.

The Bank now provides a wide range of banking services. The bank has a complete package of services for the following three business directions:

- SME,
- agricultural business,
- retail business.

The main operations and services offered by the Bank to the clients of the mentioned segments are:

- provision of agricultural, commercial, consumer and mortgage loans,
- account service,
- attraction of demand and time deposits,
- issuance of local and international plastic cards and their service,
- foreign exchange operations,
- electronic transfers (including via express systems),
- provision of brokerage services, maintenance of the register and custody of corporate securities,
- financing of international trade transactions (letters of credit, guarantees),
- other services.



The Bank is also the first in Armenia to provide business training for small and medium-sized enterprises, supporting the development of SMEs by expanding financial literacy.

The training format provides an opportunity not only to acquire theoretical and practical knowledge, but also the latter is a platform for the exchange of experience and the establishment of new partnerships.

The courses are provided free of charge both for the Bank's customers and all small and medium enterprises that are not customers. So far, 90 business trainings have been conducted, in the framework of which about 1200 business decision-makers have participated.

The Bank operates throughout Armenia through a wide branch network. 65.21% of the bank's loan portfolio are retail loans, including agricultural loans – 30.25, 34.8% - SME and corporate loans. Moreover, the majority of loans, 57.8% are the loans, provided to the regions, and 42.2% of the portfolio is allocated in Yerevan.

The bank, lending about 50% to the agricultural sector, is the absolute leader in this market in the Republic of Armenia. It is noteworthy that the agricultural market has been greatly influenced by state support programs, as a result of which customers' interest has increased both in the introduction of modern systems in the rural sector and in intensive cultivation.

Most of the loans provided under this program have been disbursed by the Bank. As a result, the volume of investments in the agricultural sector has significantly increased (the volume of investments made in 2020 alone is about 70 billion drams).

At the same time, due to the multifunctional credit products introduced during the last 2 years and improved lending processes, the Bank's SME loan portfolio has doubled, by the end of 2020, crossing the threshold of 105 billion AMD.

About 85% of the interest and non-interest income generated by the Bank during the reporting year is accounted for by credit operations. Income from investments in securities and foreign exchange operations makes up 6% and 4% of the Bank's income, respectively.

The bank is positioned in the market as a highly socially responsible institution, implementing numerous programs for the development of various sectors of the economy and the solution of social problems. Special attention shall be paid to the cooperation of the Bank and the German Nature Conservation Association (NABU), due to which many farmers and agronomists obtained organic food manufacturer certification, via joint financial assistance of the Bank and NABU, significantly increasing the production export prospects. The Bank has provided partner organizations with the opportunity to display their products in the Bank's major branches, as well as the Bank provided its advertising space to a number of companies, as a result of which the latter have had the opportunity to present their brand on the best platforms in Armenia.

Charity is in the focus of the Bank too. In addition to one-time charitable events, the Bank initiated and implemented a new format that did not exist in

Armenia before. Together with the Hayastan All-Armenian Fund, the Bank issued a Visa Barerar Card, through which 0.3% of payment transactions were transferred and are now transferred to the Fund's special account. The accumulated funds are directed to the implementation of various charitable projects.

During 2020, the Bank also provided support to healthcare functions within the framework of COVID 19 (about 27 million AMD), and to date, more than 100 million AMD has been transferred to the Servicemen's Insurance Fund. Moreover, from October 2020, 0.3% of payment transactions made with any card of the Bank are transferred to the mentioned fund (*except for Visa Barerar cards*).

The Bank also focuses on youth, environmental, alternative energy, healthy lifestyle and a number of cultural programs.

During 2019-2020, the Bank launched a large-scale advertising campaign entitled "Demonstration against plastic", which was focused on the fight against plastic. The campaign drew a significant attention and started a big movement against plastic waste.

As part of the charity, the Bank has installed water heaters in various border villages and community institutions.

Every year, with the direct support of the Bank, French-Armenian doctors provide free medical examination in a number of border regions and villages.

In general, the Bank's activities are aimed not only at the development of the economy and ensuring prosperity in the country, but also at the introduction of innovative financial and technological solutions, their development, as well as the development of its business environment.

### **Competitive position**

The Bank, being one of the leading banks in Armenia, maintaining its competitive position in the banking system, continues to maintain its key role and significance in the Armenian banking market due to efficient, consolidated team work and regulated activity.

The main competitive advantages of the bank are:

- Having particular technologies for agricultural lending, in the agricultural lending sector the Bank is leading,
- Credit and deposit portfolios of relatively low dollarization,
- Close cooperation with and trust of a number of reputable financial institutions, which provide the Bank with the necessary financial resources,
- Professional and dedicated staff, employees with low turnover of personnel and a wide range of career opportunities,
- Good reputation among the population.

ACBA BANK, continuing its active business in the financial system of Armenia, operating in conditions of healthy competition, maintains its leading position in the banking system by its capital (3rd place), assets (4th place) and loan portfolio (4th place). At the same time, the Bank ranks first in terms of loans to farms, the percentage of which is about half of the Armenian banking market.

The Bank is also the absolute leader in the market for loans, provided to individuals.

Such leading positions once again testify to the Bank's reliability, competitiveness and stability.



Thus, ACBA BANK, due to its innovative approaches, uninterrupted work of a professional team, essential competitiveness opportunities, constantly strengthens the values formed over the years, creates new ways of progress of mutually beneficial long-term cooperation with customers and partners.

## **4.5. Bank group structure**

### **4.5.1. Bank group structure**

"ACBA Bank" OJSC is the parent company of the group. The group consists of ACBA Bank and its subsidiary companies.

The subsidiary companies are:

"AGBA LEASING" CO LLC and "ACBA Brok" LLC.

"AGBA LEASING" CO LC was registered on 23 April 2003 at the Central Bank with the license No. 4 and operates under the legislation of Armenia. The company carries out the financial leasing operations.

It shall also be noted that in December 2017 "ACBA-CREDIT AGRICOLE BANK" CJSC has bought 92 shares in the statutory capital of "AGBA LEASING" CO CJSC from the French company "CREDIT AGRICOLE LEASING AND FACTORING" and from 3 individuals. As a result, the participation of "ACBA BANK" OJSC in the statutory capital of "AGBA LEASING" CO CJSC makes 100%.

"ACBA BROK" LLC was founded in 2004 in the Republic of Armenia. The organization was registered on July 29, 2004 by the Central Bank of Armenia. "ACBA BROK" LLC has carried out insurance intermediation activities, and currently does not carry out any activities.

It shall also be noted that by the decision of the Board of the Central Bank of the Republic of Armenia dated 28/04/2017, "ACBA-CREDIT AGRICOLE BANK" CJSC (present "ACBA BANK" OJSC), "AGBA LEASING" CO CJSC and "AMUNDI-ACBA ASSET MANAGEMENT" CJSC were recognized as a financial group named "ACBA-CREDIT AGRICOLE GROUP". By the decision of the Board of "ACBA BANK" OJSC, dated 14/08/2020, the financial group was renamed "ACBA GROUP" financial group.

"ACBA BANK" OJSC has been appointed as the responsible person of "ACBA GROUP". "AMUNDI-ACBA ASSET MANAGEMENT" CJSC was registered on 19.11.2013 by the decision of the Board of the Central Bank of the Republic of Armenia (registration number: 2). The company is licensed by the Central Bank of Armenia to carry out the activities of an investment fund manager and it is currently one of the two companies managing pension funds in the Republic of Armenia.

## **4.6. Fixed assets of the Bank**

### **1) Fixed assets of a planned size (buildings, structures, land, devices, equipment, etc.) at the disposal of the Bank, including leased property.**

"ACBA BANK" OJSC owns 68 real estates (mainly branch buildings, constructions) with a book value of 41.1% of the total book value of the Bank's fixed assets.

**2) Changes that may limit the bank's use of fixed assets.**

None.

**4.7. Bank's capital resources (liabilities)**

**1) Information on the bank's own capital and on the current and non-current liabilities**

As of 31.12.2020, the Bank's liabilities formed 495,631.7 million drams, 14.2% or 70,509.1 million drams of which were equity, and 85.8% were total liabilities.

42.5% or 30,000 million drams of the own capital formed the statutory capital, 9.2% or 6,518.7 million AMD - reserves and 48.2% or 33,990.4 million AMD - retained earnings.

The largest items of liabilities are: current accounts and deposits of customers, funds from the banks, the Central Bank of Armenia and other financial organizations, and debt securities, issued by the bank, which formed 69.8% or 296,944.1 million AMD, 26.4% or 112,174.2 million AMD and 2.0% or 8,501.0 million AMD of the total liabilities, respectively.

The Bank publishes its quarterly interim and annual reports in the "Reports" section of the Bank's website <https://www.acba.am/>, where you can find more detailed information on equity and total liabilities.

**2) The Bank's cash flow generation sources and amounts, as well as these cash flows are described in a free form**

The cash flows of the bank arise from its main activity, which is attracting and servicing demand and time deposits, servicing accounts, providing agricultural, commercial, consumer and mortgage loans, conducting foreign exchange operations, investing activities, etc.

The Bank's main amounts of cash flows of 2020 are reflected in the table below:

*thousand AMD*

	2020	2019
<b>Cash flow from operating activities</b>		
Interest received	45,644,846	38,979,352
Interest paid	-19,971,332	-16,225,114
Received commissions	4,992,954	4,805,567
Commissions paid	-1,868,607	-1,865,074
Net outflows / inflows through profit or loss, using the fair value measurement of financial instruments	-132,117	1,565,583
Net income from exchange rate differences	2,147,112	1,598,083
Paid other operating expenses	-220,306	-1,206,698
Other income received	313,619	944,554
Salary and staff paid from other funds	-10,952,092	-10,630,177
Paid other general administrative expenses	-3,466,758	-3,520,268
<b>Cashflows from operational activities, before changes of operating assets and liabilities</b>	<b>16,487,319</b>	<b>14,445,808</b>

<i>Net (increase) / decrease in operating assets</i>		
Commercial securities	-68,176	-251,177
Derivative financial assets	-249,870	4,091
Claims to banks	-26,633,310	-24,857,050
Loans to customers	-36,695,515	-70,982,124
Accounts receivable from financial lease	-4,051,999	-6,783,081
Other assets	990,943	759,211
<i>Net increase/ (decrease) in operating liabilities</i>		
Derivative financial liabilities	-120,116	150,940
Bank deposits and balances	13,660	613
Customer current accounts and deposits	42,136,691	50,996,468
Other liabilities	1,300,782	421,336
<b>Net cash flows flows used in operating activities before income taxes</b>	<b>-6,889,591</b>	<b>-36,094,965</b>
Income tax paid	-1,226,755	-2,924,697
<b>Net cash flows used in operating activities</b>	<b>-8,116,346</b>	<b>-39,019,662</b>
<b>Cash flows from investment activities</b>		
Acquisition of fixed assets and intangible assets	-2,215,321	-2,869,843
Revenues from sale of fixed assets and intangible assets	131,840	206,220
Acquisition of investment securities	-8,724,750	-481,815
Investment securities sale and repayment	15,139,588	5,763,327
<b>Net cash flows from investment activities</b>	<b>4,331,357</b>	<b>2,617,889</b>
<b>Cash flows from financing activities</b>		
Revenue from issued debt securities	-	5,263,384
Repayment of issued debt securities	-3,631,337	-1,553,514
Revenue from other borrowings	47,077,963	51,957,148
Repayments of other loans	-33,580,438	-37,805,078
Revenue from subordinated loans	7,098,874	4,830,467
Repayment of subordinated loans	-950,933	-
Dividends paid	-1,700,000	-2,700,000
<b>Net cash flows from financing activities</b>	<b>14,314,129</b>	<b>19,992,407</b>
Impact of exchange rate differences on cash and their equivalents	-53,199	-50,323
Impact of changes in depreciation reserve on cash and their equivalents	6,943	69,977

<b>Net increase / (decrease) of cash and their equivalents</b>	<b>10,482,884</b>	<b>-16,389,712</b>
Cash and cash equivalents at beginning of year	55,915,251	72,304,963
<b>Cash and cash equivalents at end of year</b>	<b>66,398,135</b>	<b>55,915,251</b>

### 3) Requirement to attract borrowing

The requirement to attract borrowing of the Bank is assessed based on the assets growth prospects of the Bank and the forecasted level of liquidity in different timeframes.

### 4) Capital resources usage restrictions, which may have significant affect on the bank's activities directly or indirectly

None.

## 4.8. Research and development directions

There is no research or development policy by the Bank for the historical financial period.

### 4.9. Patents and Licenses

The Bank carries out banking activities in the Republic of Armenia on the basis of banking license No. 70, issued on March 29, 1996. Banking license No. 70 is issued for an indefinite period.

## 4.10. Recent Development Trends

From the end of the last reporting year until the date of submission of the Prospectus, there was no significant change in the tariffs for the services provided by the Bank, which a reasonable investor would have found significant when making investment decisions. It is expected that the services provided by the Bank will increase, interest rates will remain generally stable.

For the investment decision-making of a reasonable investor, the Bank presents the changes in volume of assets and liabilities in the previous reporting periods.

*thousand AMD*

Attraction of funds	2018 (Audited)	Increase/ decrease against 2017 (%)	2019 (Audited)	Increase/ decrease against 2018 (%)	2020 (Audited)	Increase/ decrease against 2019 (%)
From banks and other financial organizations	72,033,176	-0.6%	96,980,522	34.6%	117,858,276	21.5%
Customer current accounts and deposits	201,775,444	21.2%	254,667,620	26.2%	296,944,080	16.6%



thousand AMD

Allocation of funds	2018 (Audited)	Increase/ decrease against 2017 (%)	2019 (Audited)	Increase/ decrease against 2018 (%)	2020 (Audited)	Increase/ decrease against 2019 (%)
Loans to customers and revenues from financial lease	221,269,984	16.2%	295,756,158	33.7%	328,035,951	10.9%
Loans and borrowings to other banks and financial organizations	5,695,811	-36.8%	30,523,274	435.9%	57,171,584	87.3%
Securities portfolio	27,041,605	30.6%	22,760,449	-15.8%	17,405,067	-23.5%

In order to combat the COVID-19 epidemic that emerged at the end of 2019 and the various consequences that accompany it, organizations test the epidemic from the outset and implement business plans to continue working in emergencies, including new digital solutions, flexible organizational transformations, alternative jobs – home office, transfer of trade and service to online domain as much as possible.

This situation forced banks to assess the need for a flexible strategy, readiness to respond as quickly as possible to the external environment, operational resilience, the ability to implement new organizational and operational models, and ultimately ensure and accelerate business migration to digitalization. Moreover, new initiatives that can use the data and the results of the analysis based on them to improve the customer experience have become a priority.

Due to the above, the tendencies of the banking system transformation can be divided into several main directions:

- Focus on digital banking experience and complete digitalization
- Application of machine learning and artificial intelligence /AI/
- Moving to cloud drives
- Process automation, robotics
- Investments in privacy and security
- Reorganization of work.

The above-mentioned international tendencies will also have their impact on the Armenian banking sector.

It is necessary to take into account the fact that in the coming years, the development of the Armenian banking sector will be promoted by the projects, related to a number of sectors (agriculture, energy infrastructure, SME, IT, transport, education), included in the program of 2019-2023 of the RA Government. In particular:

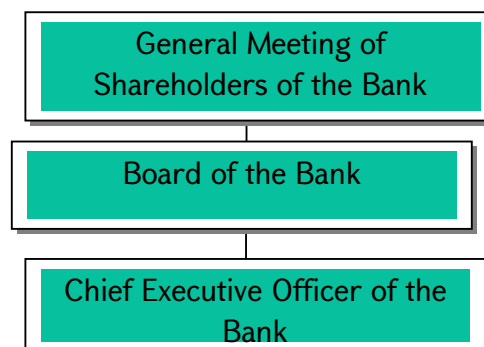
- Within the framework of programs aimed at promoting the activities of start-up entrepreneurs and SMEs, banks will contribute to the development of the sector by providing them with more favorable financing conditions.
- Banks will continue to actively participate in the agricultural development projects envisaged by the Government program, in particular in the process of providing sub-loans and subsidies, promoting
  - use of the latest technologies in the agricultural sector
  - export of agricultural products
  - development of agro-tourism
  - development of the Renewable Energy sector
  - implementation of irrigation systems development program.
  
- Programs aimed at supporting the development of the IT sector by the Government of the Republic of Armenia, such as the financing of startups, cooperation with leading countries in the IT sector and international organizations, will enable local IT companies to effectively exchange experience.
- The cooperation of banks and IT organizations will not only contribute to the automation of banking processes with innovative solutions and improve the quality of services provided, but also will make the Armenian banking system more competitive in the international market.
- The educational programs implemented within the framework of the government program, in particular the cooperation between technology companies and universities, the establishment of technology education centers in Yerevan and regions will contribute to the training and qualification of highly qualified IT specialists in accordance with modern requirements, which in turn will stimulate the creation of a quality labor market.

Thus, taking into account the trends of dynamic development of the financial system and the forecasted trends, we conclude that in order to ensure sustainable growth and to be competitive, financial institutions must be willing to make appropriate investments to meet customer needs through innovative solutions that will help them meet the challenges of the outside world.

## **4.11. Governing Bodies of the Bank and Their Members**

### **4.11.1. Governing Bodies and Structure**

According to the Bank's charter, the Bank has the following corporate governance structure:



The Bank has Chief Accountant, Internal Audit Division, responsible for the implementation of the risk management function and the person responsible for implementing the compliance function and a Corporate Secretary.

*General Meeting of Shareholders of the Bank*

The General Meeting of Shareholders of the Bank (hereinafter referred to as the General Meeting) is the supreme governing body of the Bank.

To the exclusive right of the General Meeting belong:

1. Approval of the charter, its amendments and supplements,
2. Bank reorganization,
3. Bank liquidation,
4. Approval of summary, interim and liquidation balance, the appointment of liquidation committee,
5. Approval of the quantitative composition of the Board, election of the Board members and early termination of their powers. The issues of approval of the quantitative composition of the Board and election of its members are discussed exclusively in the annual General Meetings. The issue of election of the members of the Board may be discussed at the Extraordinary General Meeting, if the latter decides on the early termination of the powers of the Board or its individual members,
6. Determining the maximum size of the declared shares,
7. Approval of the audit person of the Bank, upon presentation by the Board,
8. Reduction of the Bank's statutory fund through repurchase of shares,
9. Making a decision on a large transaction defined by law, the value of the property of which at the moment of the decision on the conclusion of the transaction is 25-50% of the carrying amount of the Bank's assets, but the decision on which was not made by the Board, and the Board decided to discuss the issue on the transaction by the General Meeting,
10. Making a decision on a large transaction defined by law, the value of the property of which at the moment of the decision on the conclusion of the transaction is more than 50% of the carrying amount of the Bank's assets,
11. Approval of the distribution of the Bank's annual financial statements, profit and loss,
12. Approval of the order of conducting the General Meeting,
13. Formation of the counting committee,
14. Consolidation and distribution of shares,
15. Adoption of a decision not to exercise the pre-emptive right to acquire shares in cases provided by law;
16. Within the scope of the approved agenda, other issues, which are considered to be the exclusive competence of the General Meeting by law.

The decision-making on all issues envisaged by all the above-mentioned points is reserved to the exclusive competence of the General Meeting, it cannot be transferred to other governing bodies of the Bank. The General Meeting may not discuss or decide on matters beyond its competence.

### Bank's Board

The Board of the Bank carries out the general management of the Bank's activities within the limits of the matters within the competence of the Board by law.

The powers of the Board are:

1. Determining the main directions of the Bank's activity, including the approval of the Bank's perspective development program;
2. Convening the annual special meetings of the General Meeting, approving the agenda, as well as ensuring the implementation of preparatory works in connection with the organization of their convening and conduct;
3. Appointment of the Chief Executive Officer, members of the Executive Body of the Bank, early termination of their powers, approval of remuneration terms;
4. Establishment of internal management standards in the Bank, establishment of the internal audit department of the Bank, approval of its annual work plan, early termination of the powers of internal audit staff, approval of remuneration conditions;
5. Approval of the Bank's annual expenses estimate and execution;
6. Approval of the internal administrative structure of the Bank;
7. Submission of proposals on the payment of dividends to the General Meeting, including the compilation of the list of the Bank's shareholders entitled to receive dividends for each payment of dividends, which shall include the Bank's participants included in the Bank's shareholders' register, as of the day of compiling the list of shareholders entitled to participate in the annual meeting of shareholders,
8. Preliminary approval of the Bank's annual financial statements and their submission to the General Meeting;
9. Nomination of the person conducting the Bank's external audit for the approval of the General Meeting;
10. Determining the amount of payment to the person conducting the external audit of the bank;
11. Initiation of the measures to eliminate deficiencies identified as a result of audits or other inspections carried out in the Bank, if necessary, and supervise their implementation;
12. Adoption of internal legal acts defining the procedure of financial operations by the Bank;
13. Approval of the charters of the bank's territorial and independent structural divisions, distribution of operational responsibilities among the bank's independent structural divisions;
14. Adoption of a decision on placement of bank bonds and other securities;
15. Use of reserve of the Bank and other funds;
16. Establishment of branches, representative offices and institutions of the Bank;
17. Adaptation of the principles, standards, methods, rules, forms and procedures of the Bank's accounting policy used for the purpose of compiling financial statements.
18. Establishment of daughter or affiliated companies;
19. Participation in subsidiary and affiliated companies;
20. Establishment of trade unions;
21. Participation in trade unions;
22. Increasing the statutory fund by increasing the nominal value of shares or by placing additional shares;

23. Giving consent to the conclusion of large transactions defined by law by the Bank, the value of which, at the moment of making the decision on concluding the transaction, is 25 to 50 percent of the carrying amount of the Bank's assets;

24. Giving consent to any other investment by the Bank, which is not envisaged by subclauses 18, 19, 20, 21 of this clause, the amount of which is 25% of the Bank's own capital and more;

25. Adoption of other decisions provided by law.

The Bank's Board consists of 7 (seven) members, who are elected by the General Meeting for the assigned period.

The Chairman of the Bank's Board shall be elected by the Board from the Board members.

The Chairman of the Bank's Board:

1. organizes the work of the Board,
2. convenes and chairs the meetings of the Board,
3. organizes the keeping of the minutes of the meetings of the Board,
4. presides over the General Meeting,
5. Organizes the work of the Committees, linked to the Board, if any.

The Bank has a Corporate Secretary, who has supported the works of the Board. The assignment of the Secretary, the definition of the power and termination of the authorizations of the latter is carried out by the Board.

#### Chief Executive Officer of the Bank

The current management of the activities of the Bank is carried out by the Chief Executive Officer of the Bank. The CEO may have deputies.

The Chief Executive Officer is appointed by the Board, and the Deputy Chief Executive Officers are appointed by the Board upon the recommendation of the Chief Executive Officer. The Chief Executive Officer, as its exclusive power, represents the Bank in the Republic of Armenia and foreign states, concludes transactions on behalf of the Bank, acts on behalf of the Bank without a power of attorney, provides powers of attorney.

Chief Executive Officer:

1. submits the internal legal acts, the regulations of separate subdivisions, the administrative structure of the bank to the Board for approval;
2. discusses in advance all the issues to be discussed by the General Meeting or the Board, for which it prepares the necessary documents, organizes the implementation of the decisions of the General Meeting of Shareholders and the Board;
3. concludes transactions on behalf of the Bank, which are not reserved by law and by this charter to the exclusive competence of the Board and the General Meeting;
4. manages the Bank's property, including financial resources, issues orders, instructions within its competence, gives instructions for mandatory execution, supervises their execution;
5. approves the jobs, hires and dismisses the Bank's employees, solves the issues, related to the selection, placement, training and qualification of employees;
6. applies incentives and disciplinary measures to the Bank's employees;
7. distributes responsibilities among the Deputies of the Chief Executive Officer;

8. executes other rights related to the management of the current activities of the Bank as provided by the Charter of the Bank within the framework of the legal acts defined by the Board.

The decisions of the Chief Executive Officer are usually carried out on the basis of his orders and instructions.

The Chief Executive Officer regularly, but not less than once in a quarter, submits reports on their performance to the Board, by the procedure, set by the Board.

The adoption of decisions on the issues under the authorization of the Chief Executive Officer cannot be transferred to other governing bodies, the Internal Audit, the Chief Accountant or any other person, except if the duties of the Chief Executive Officer have been temporarily transferred to their deputy.

### Chief Accountant of the Bank

1. The Chief Accountant of the Bank carries out the rights and responsibilities established for the Chief Accountant by the RA Law "On Accounting".

2. The Chief Accountant of the Bank is appointed by the Board upon the recommendation of the Chief Executive Officer.

3. The rights and responsibilities of the Chief Accountant of the Bank may not be transferred to the General Meeting, the Board, members of the executive body, internal audit division or any other person.

4. The Chief Accountant of the Bank shall submit a financial report in the form and with the content, approved by the Board, to the Board and to the Chief Executive Officer at least on a quarterly basis.

The Chief Accountant of the Bank is responsible for the timely maintenance of the Bank's accounting records, its accuracy, annual report, financial and statistical reports to the governing bodies, defined by laws and other legal acts, as well as for the accuracy of the financial information about the Bank, provided to the participants, creditors of the Bank, and the media. In order to ensure the reliability of the financial information provided, in accordance with the law, other legal acts and this Charter.

### Internal Audit Subdivision

1. The head of the internal audit subdivision and members are appointed by the Board. Members of the Bank's governing bodies, other managers and employees, as well as persons affiliated with the members of the executive body may not be members of the internal audit.

Internal audit and members are required to adhere to the work discipline, established for the bank's employees.

2. The Internal Audit, according to the regulation, approved by the Bank's Board:

- supervises the Bank's current operations and operational risks;
- supervises the implementation of laws, other legal acts, internal legal acts of the Bank by the Chief Executive Officer, territorial and structural subdivisions, instructions given to the Chief Executive Officer;
- provides conclusions and recommendations on issues, submitted by the Board, as well as on issues, presented by own initiative. Issues

related to the authorization of the audit may not be referred to the Bank's governing bodies or other persons for resolution.

3. The head of the Internal Audit submits the following reports to the Board and the Chief Executive Officer:

- regular - on the results of audits, defined by the annual program,
- extraordinary, if substantial violations are disclosed by the well-grounded opinion of the internal audit foundations, if the violations are the consequence of actions or inaction of the CEO or the Board, the report shall be submitted directly to the Chairman of the Board.

In the cases provided for in this part, the reports shall be submitted within a maximum of two working days after the detection of the violation.

In case the internal audit reveals violations of laws and other legal acts, it is obliged to submit them in writing to the Board, at the same time proposing measures to be taken to eliminate those violations and not to repeat them in the future.

#### Person responsible for the implementation of the risk management function

1. The person responsible for the implementation of the Bank's risk management function:

- identifies, assesses the risks inherent in the bank's activities, gives a general description of the bank's risk;
- monitors the identified risks, ensures their effective management;
- submits the risk management strategy of the bank, the acceptable risk limit, as well as individual risk management policies to the Board; submits a report on the bank's risk description and risk management processes to the Board and the governing body with the frequency, specified by the Board;
- performs other functions related to risk management defined by the Central Bank's regulations.

2. The regulations of the Central Bank may establish minimum requirements for the effective implementation of the bank's risk management function.

#### Person responsible for the implementation of the compliance function

1. The person responsible for the implementation of the Bank's compliance function:

- ensures compliance of the activities of the bank and bank employees with the requirements of laws, other legal acts, including internal legal acts of the bank;
- ensures the formation and maintenance of responsible behavior in the bank;
- assesses the impact of possible changes in laws, other legal acts and possible risks related to them on the bank's activity;
- performs other functions related to ensuring compliance with the Central Bank regulations.

2. The minimum requirements for the effective implementation of the bank's compliance function may be established by the Central Bank regulations.

### Corporate Secretary

1. Corporate Secretary of the Bank:
  - supports the improvement of the Bank's corporate governance;
  - organizes the preparations for the General Meeting of Shareholders of the Bank, supports in the conduct of the meeting;
  - organizes the preparations for the meetings of the Board and its committees, supports in the conduct of the meeting;
  - provides professional assistance and advice to the Bank's Board, executive body and shareholders;
  - is responsible for maintaining and disclosing corporate information;
  - is responsible for managing stakeholder relations.

#### **4.11.2. Members of the issuer's governing bodies**

##### Members of the Board of the Bank

At the time of preparation of this prospectus, the Board of Directors of the Bank consisted of seven members: the chairman and six members. The information by each member of the governing body is presented below.



N	First name, last name	Title, date of birth, profession and education, experience, place of residence	Positions in the last 5 years	Employment dates	Activities of the governing body member outside of the Bank
1	<b>Marat Harutyunyan</b>	<b>Board Chairman</b> , born 01.07.1948, Baku Higher Party School / Yerevan Polytechnic Institute, over 24 years, RA, Ararat region, v. Vosketap	"ACBA BANK" OJSC Board Chairman	28.08.1995-present	"ACBA-FEDERATION" CJSC Board Chairman
2	<b>Bruno, Marie Sharie</b>	<b>Independent Board Member</b> , born 27.01.1951, Lyon National Institute of Applied Sciences (Lyon, France) / French University of Management (Lyon, France), over 20 years, France, Genay	Credit Agricole Serbia, General Director	2013-2016	Pensioner
			"ACBA BANK" OJSC Independent Board Chairman	12.06.2019-present	
3	<b>Tsoghik Asoyan</b>	<b>Board member</b> , born on 29.01.1959, Yerevan Business - Culinary Urban Vocational School No. 46 / Yerevan University of Economics and Law - "Finance and loan", over 24 years, RA, Aragatsotn region, v. Aray	"ACBA BANK" OJSC Board Chairman	28.12.1999-present	President of "Aparan Poultry Factory" OJSC
4	<b>Henrik Kochinyan</b>	<b>Board Member</b> , born 07.05.1948, SEUA Faculty of Mechanics and Mechanical Engineering, over 22 years, RA, Lori Marz, Vanadzor	State Engineering University of Armenia - Lecturer	2014-present	State Engineering University of Armenia - Lecturer
			"ACBA BANK" OJSC Board Chairman	10.05.2010-present	
5	<b>Arayik Abasyan</b>	<b>Board member</b> , born 25.08.1959, State Institute of Physical Culture and Sports of Armenia, over 25 years, RA, Armavir region, v. Khoronq	Etchmiadzin State Vocational College	01.01.1995-present	Etchmiadzin State Vocational College Teacher
			"ACBA BANK" OJSC Board Chairman	16.10.2019-present	
6	<b>Armen Mkrtchyan</b>	<b>Board member</b> , born on 29.05.1967, SEUA, Goris Branch, Electrical Engineer, over 26 years, RA, Syunik region, Karahunj village	Goris Municipality - Member of the Council of Elders	2016- present	Director of Karahunj Secondary School, Goris Municipality - Member of the Council of Elders
			"ACBA BANK" OJSC Board Chairman	31.07.2020-present	
7	<b>Hrach Sargsyan</b>	<b>Board member</b> , born on 10.08.1974, Yerevan Institute of Architecture and Construction - Civil Engineer, over 17 years, RA, Gegharkunik region, Chkalovka village	Secondary school of Chkalovka village, Gegharkunik region – head of military studies	2003- present	RA, village Chkalovka secondary school teacher, agriculturist
			Agricultural (farm) business	2000- present	
			"ACBA BANK" OJSC Board Chairman	31.07.2020-present	

The powers and responsibilities of the members of the Board of the Bank are presented below.

The board member has the right to:

1. submit draft decisions of the Board to the Board for discussion;
2. hold speeches, ask questions, make recommendations at the Board meetings, run for office, be elected Chairman of the Board or their Deputy (if there is such a position in the Bank), participate in the General Meeting of Shareholders with a consultative vote.

The member of the Board may have other rights provided by the legislation, the charter of the Bank and internal legal acts.

The board member is obliged to:

1. participate in Board meetings,
2. comply with the requirements set by the RA legislation, internal legal acts of the Bank,
3. Examine the recommendations of the Chairman of the Board, Chief Executive Officer and their deputies, chief accountant, head of internal audit division and other persons and express their opinions,
4. receive any information on the Bank's activities, except for confidential documents, including getting acquainted with the accounting balances and reports in the manner prescribed by the charter.

The member of the Board may have other responsibilities provided by the legislation, the charter of the Bank and internal legal acts.

The Chairman of the Board of the Bank, in addition to the above-mentioned powers and responsibilities, also performs the following functions:

- organizes the work of the Board
- convenes and chairs the meetings of the Board
- organizes the maintenance of the minutes of the Board meetings
- chairs the General Meeting of the Bank.

#### *Chief Executive Officer of the Bank*

The current management of the Bank is carried out by the Chief Executive Officer of the Bank. The Chief Executive Officer of the Bank has 5 deputies, whose complementary experience, qualifications and skills directly affect the efficiency of the Bank's executive structure.

The information by each member of the governing body is presented below.

N	First name, last name	Title, date of birth, profession and education, experience, place of residence <b>Rights and responsibilities</b>	Positions in the last 5 years	Employment dates	Activities of the governing body member outside of the Bank
1	<b>Hakob Andreasyan</b>	<p><b>Chief Executive Officer</b> Born on 12.11.1962, economist / Yerevan Institute of National Economy, over 25 years, Yerevan, RA</p> <p>The Chief Executive Officer ensures the implementation of the strategic plan and internal legal acts approved by the Board of the Bank. The Chief Executive Officer appoints the heads of structural and territorial subdivisions, as well as approves the candidatures of the Bank's employees proposed by the latter. The Chief Executive Officer of the Bank carries out the "distribution of responsibilities among employees" by clearly defining reporting relationships.</p>	<p><i>Chairman of the Union of Banks of the Republic of Armenia</i></p> <p><b>"ACBA BANK" OJSC Chief Executive Officer</b></p>	<p>2017-2018</p> <p>25.04.2014-present</p>	<p>1. Chairman of the Board of "AMUNDI-ACBA ASSET MANAGEMENT" CJSC,</p> <p>2. Chairman of the Board of "AGBA LEASING" CO CJSC,</p> <p>3. Member of the Board of the ARMENIAN-FRENCH TRADE INDUSTRIAL CHAMBER,</p> <p>4. Chairman of the Board of the Alliance Française NGO of Armenia</p>
2	<b>Nikolay Hovhannisyan</b>	<p><b>Deputy CEO COO</b>, born on 08.08.1964, economist / Yerevan Institute of National Economy, over 33 years, c. Yerevan, RA</p>	<p><b>"ACBA BANK" OJSC Deputy CEO COO</b></p>	<p>07.01.2003-present</p>	<p>Board member of "AGBA LEASING" CO CJSC</p>

		<p>The Deputy CEO COO manages the Bank's Operations. Together with the Chief Executive Officer of the Bank, defines the process of implementation of the Bank's technical security, coordination of logistics, property management processes, provides methodological assistance, coordinates the process of drafting internal legal acts regulating the Bank's activities, develops and oversees corporate style standards, coordinates and supervises the functions system of the Back Office Division and the Experts Division.</p>			
3	<b>Styopa Zakinyan</b>	<p><b>Deputy CEO CFO</b>, born 05.12.1976, Candidate of Economics / Yerevan Institute of National Economy, over 20 years, Yerevan, RA</p>	<p>"ACBA BANK" OJSC <b>Deputy CEO CFO</b></p>	<p>27.07.2015-present</p>	<p>Board member of "AGBA LEASING" CO CJSC</p>
		<p>The Deputy CEO CFO is in charge of Finance Direction. Together with the Chief Executive Officer of the Bank, defines the strategic development program of the Bank, organizes the preparation of financial strategy, work plans, approves them, as well as organizes financial planning and budgeting programs for strategic planning, controls their implementation.</p>			
4	<b>Norik Nazaryan</b>	<p><b>Deputy CEO Sales Promotion and Regional Management</b>, born 05.04.1968, economist / Yerevan Institute of National Economy, over 28 years, Yerevan, RA</p>	<p>"ACBA BANK" OJSC <b>Deputy CEO SME, corporate and agricultural business</b></p>	<p>2015-2018</p>	<p>No activities outside of the Bank</p>

		Deputy CEO Sales Promotion and Regional Management heads the Bank's Sales Promotion and Regional Management. Together with the Chief Executive Officer of the Bank, determines the strategic development program of the sales promotion, regional management direction, supervises the implementation of the work of regional managers, branches, sales management, credit business and trade financing subdivisions.	<b>"ACBA BANK" OJSC Deputy CEO Sales Promotion and Regional Management</b>	10.04.2018-present	
<b>5</b>	<b>Arsen Melkonyan</b>	<b>Deputy CEO Business Operations Coordination,</b> <i>born 13.10.1976, economist / Yerevan Institute of National Economy, over 20 years, Yerevan, RA</i>	<b>"ACBA BANK" OJSC Business Directions Development Department</b>	2014-2018	No activities outside of the Bank
		The Deputy CEO Business Operations Coordination heads the Business Function Coordination Division. Develops and implements new business plans and strategies together with the CEO of the Bank. Develops and introduces new offers for banking products / services, analyzes regional market trends and identifies new growth opportunities, offers new services, products aimed at meeting customer needs.	<b>"ACBA BANK" OJSC Head of Development and Marketing</b>	2017-2018	

			"ACBA BANK" OJSC <b>Deputy CEO Business Operations Coordination</b>	10.04.2018-present	
<b>6</b>	<b>Tigran Simonyan</b>	<b>Deputy CEO Platforms and Technologies Development,</b> <i>born 03.11.1988, Master of Physics / Yerevan State University, over 11 years, Yerevan, RA</i>	"ACBA BANK" OJSC <i>Head of Technical Tasks Development Department</i>	2014-2017	No activities outside of the Bank
			"ACBA BANK" OJSC <i>Head of Risk Management Department</i>	2017-2018	
		<i>Deputy CEO Platforms and Technologies Development manages the technological development direction of the Bank. Together with the Chief Executive Officer of the Bank, defines the processes of introduction, development and innovation of digital banking platforms and services.</i>	"ACBA BANK" OJSC <i>Head of Information Technology Development Department</i>	2018-2020	
			"ACBA BANK" OJSC <b>Deputy CEO Platforms and Technologies Development</b>	01.04.2020-present	
<b>7</b>	<b>Armen Hakobyan</b>	<b>Chief Accountant,</b> <i>born 18.03.1976, Doctor Professor of Economics / Yerevan Institute of National Economy over 22 years, Yerevan, RA</i>	"ACBA BANK" OJSC <b>Chief Accountant</b>	20.07.2015-present	Lecturer at the Armenian State University of Economics

	<p>The Chief Accountant of the Bank organizes, manages and supervises the Bank's accounting, registration of all types of accounting operations, including the calculation and payment of salaries, bonuses, premiums, is responsible for the preparation of reports and references, compliance with banking standards established by the Central Bank of Armenia.</p>			
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**4.11.3. Kinship between members of the governing body**

There are no kinship ties between the members of the governing body.

**4.11.4. About each member of the governing body**

**a. Profession (qualification),**

**b. In which companies or organizations did the member of the given management body of the bank hold a managerial position during the 5 years preceding the moment of submitting the prospectus for registration? It is not necessary to present the leading positions held by those members in the bank's subsidiaries.**

The information is provided in section 4.11.2 of the prospectus.

**c. Conviction for fraud during the previous 5 years at the time of filing the prospectus**

There has been no conviction of members of the governing body for fraud in the 5 years prior to the filing of the prospectus.

**d. Did the members of the bank's governing body have any connection with the bankruptcy, liquidation or asset management processes of the bankrupt person during the previous 5 years at the time of filing the prospectus? If yes, give a description of it**

The members of the Bank's governing body have not been involved in any bankruptcy, liquidation or bankruptcy asset management processes for the previous 5 years at the time of filing the Prospectus.

***e. Have the members of the bank's management body been held liable by any state or regulatory body during the 5 years prior to the filing of the prospectus? If yes, give a description of it***

The members of the Bank's governing body have not been held liable by any state body or regulatory (supervisory) body during the 5 years prior to the submission of the Prospectus, and the latter have not been deprived of the right to hold the position of a member of the Bank's governing body.

**4.11.5. Conflict of Interests**

There is no conflict of interest between the Bank and the persons involved in the management of the Bank.

***4.11.6. Agreement with major shareholders, customers, suppliers or other persons, according to which a person has been elected or appointed a member of the bank's management body***

There is no agreement with major shareholders, customers, suppliers or other persons under which a person may be elected or appointed a member of the Bank's governing body.

**4.12. Remuneration and bonuses**

***4.12.1. Remuneration received by each member of the Bank's governing body from the Bank and its subsidiaries and bonuses, including compensation in any form made in their favor (funded pension allocations, insurance premiums, share acquisition options, etc.).***

***4.12.2. Pension payments made by the Bank to the members of the Bank's governing bodies in total amount.***

Thousand AMD

<b>First name, last name</b>	<b>Position</b>	<b>Net salary, received during 2020 and other net payments, equaled to it (AMD)</b>
Marat Harutyunyan	Chairman of the Board of the Bank	8,242,529
Bruno Sharie	Independent member of the Board of the Bank	4,534,080
Arayik Abasyan	Bank's Board member	1,744,918



Armen Mkrtchyan	Bank's Board member	737,012
Hrach Sargsyan	Bank's Board member	715,387
Tsoghik Asoyan	Bank's Board member	1,746,494
Henrik Kochinyan	Bank's Board member	1,746,809
Hakob Andreasyan	Chief Executive Officer	392,304,410
Nikolay Hovhannisyan	Deputy CEO COO	124,693,154
Styopa Zakinyan	Deputy CEO CFO	127,067,457
Norik Nazaryan	Deputy CEO Sales Promotion and Regional Management	124,019,341
Arsen Melkonyan	Deputy CEO Business Operations Coordination	123,492,111
Tigran Simonyan	Deputy CEO Platforms and Technologies Development	41,458,437
Armen Hakobyan	Chief Accountant	46,061,941

#### 4.13. Activities of governing bodies

##### **4.13.1. Beginning and end of holding the position by each member of the governing body in the given position**

The information presented in the Clause 4.11.2. of the Prospectus.

##### **4.13.2. Information on whether management members have contracts with the bank or its subsidiaries to receive a bonus or surcharge at the end of their term. If such contracts do not exist, indicate their absence in a separate provision.**

The members of the Bank's management do not have agreements with the Bank or its subsidiaries that they must receive a bonus or surcharge after the end of their term of office.

##### **4.13.3. Provide information on the bank's audit committee or salaries (remuneration) committees, if available.**

The Bank has an "Internal Audit Committee", which is a standing committee.



According to the order No. 5284 of the Chief Executive Officer of the Bank, dated 28.08.2020, the composition of the committee and the schedule of holding it is as follows:

**Chairman:** H. Andreasyan - Chief Executive Officer

**Deputy:** A. Varzhapetyan - Head of Internal Audit Division

**Members:**

N. Hovhannisyan – CEO COO

N. Nazaryan - Deputy CEO Sales Promotion and Regional Management

A. Melkonyan - Deputy CEO Business Operations Coordination

T. Simonyan - Deputy CEO Platforms and Technologies Development

A. Hakobyan - Chief Accountant

R. Sargsyan - Head of the Legal Department

A. Abrahamyan - Head of Human Resources Management Department

A. Melkumyan - Head of Risk Management and Compliance Department

U. Iritsyan - Head of Methodology Department

V. Iskandaryan - Head of Information Security Department

**Secretary:**

N. Hovhannisyan - Chief of Staff to the Chief Executive Officer

Schedule of meetings: at least six times per year

According to the Regulations of the Standing Committees, Committees and Committees with Expanded Composition of the Bank:

The Committee Chairman:

- a) ensures the organization of the normal activities of the Committee;
- b) manages and coordinates the work of the Committee;
- c) convenes and conducts the sittings of the Committee;
- d) decides the order of discussion of the submitted issues, agreeing it with the members of the Committee;
- e) signs the decisions of the Committee and other documents drawn up on behalf of the Committee;
- f) distributes work among the members of the Committee;
- g) performs other functions related to the effective organization of the work of the Committee;
- h) carries out other authorities assigned to him / her by the above-mentioned regulations and other internal legal acts of the Bank.

In the absence of the Committee Chairman, their powers shall be exercised by the Deputy Committee Chairman.

The members of the committee:

- a) get acquainted with the issues submitted to the discussion of the meetings of the Committee, and the documents attached to them;
- b) participate in the meetings of the Committee;
- c) submit proposals on the issues discussed at the meetings of the Committee;
- d) get acquainted with the decisions and protocols adopted by the Committee;
- e) support the normal functioning of the Committee and the proper performance of the functions of the Committee;

f) exercise other powers assigned to them by the above-mentioned regulations and other internal legal acts of the Bank.

**4.13.4. Indicate whether the bank complies with the principles of corporate governance adopted in the country of its establishment (if such principles exist).**

The bank meets the principles of corporate governance in Armenia.

## 4.14. Employees

**4.14.1. The average annual number of employees for each financial year in the historical financial period or that number at the end of the year.**

The number of employees of the Bank in the historical financial period is as follows

As of 31.12.2018 - 1523 people

As of 31.12.2019 - 1498 people

As of 31.12.2020 - 1518 people.

**4.14.2. The most up-to-date information on each of the members of the bank's governing body, the bank's equity securities, the existence of options for those securities, indicating the class, quantity, percentage of the securities belonging to each of them, etc.**

There are no share securities of the Bank and options for those securities, belonging to the members of the Bank's governing bodies.

**4.14.3. Description of programs in place to enable employees to participate in the bank's capital**

The Bank may implement an employee participation program, but during this offer, the Bank's employees are not given any pre-emptive rights or preferential terms to use the open subscription.

## 4.15. Large shareholders and controlling persons

**4.15.1. As far as the bank is aware, the name, surname of the major shareholders (except for the members of the issuer's governing bodies), the amount of participation of each of them. If there are no major shareholders, mention that fact separately.**

The bank does not have large individual shareholders.

**4.15.2. Information on whether each of the shares owned by all major shareholders has the same voting right.**

All shares of the bank give the same voting right to all shareholders.



**4.15.3. As far as the bank is aware, information on whether the bank is directly or indirectly under control.**

For the purposes of the RA Law on Securities Market, the Bank is under the **direct** control of the following person:

- **"ACBA FEDERATION" Closed Joint-Stock Company** - has a direct significant participation in the Bank's capital: 95.00% (4,750,000 shares).

**4.16. Related party transactions**

Transactions with persons related to the bank were carried out based on market conditions and interest rates.

Balances related to related party transactions at the end of the reporting period are presented below.

	2020		2019	
	<i>Parent company</i>	<i>Key management personnel and their family members</i>	<i>Parent company</i>	<i>Key management personnel and their family members</i>
<b>Gross outstanding loans as of January 1</b>	-	<b>406,218</b>	-	<b>416,523</b>
Loans provided during the year	784,886	322,421	-	296,697
Loan repayments during the year	-	(325,443)	-	(304,630)
Other movements:	36,743	(2,518)	-	(2,372)
<b>Gross outstanding loans as of December 31</b>	<b>821,629</b>	<b>400,678</b>	-	<b>406,218</b>
<b>Withdrawal of impairment reserve as of December 31</b>	(5,304)	(5,968)	-	(1,212)
<b>Net outstanding loans as of December 31</b>	<b>816,325</b>	<b>394,710</b>	-	<b>405,006</b>
<b>Current accounts and deposits as of January 1</b>	<b>363,765</b>	<b>1,145,398</b>	<b>62,597</b>	<b>783,255</b>
Deposits incurred during the year and current accounts	2,227,485	2,743,951	5,255,737	1,398,200
Deposits repaid during the year and current accounts	(2,389,910)	(2,343,793)	(4,954,569)	(1,036,057)
Other movements	-	-	-	-
<b>Current accounts and deposits as of December 31</b>	<b>201,340</b>	<b>1,545,556</b>	<b>363,765</b>	<b>1,145,398</b>

Below is the income and expenses from transactions with related parties.

	<i>For the year ending on December 31</i>			
	2020		2019	
	<i>Parent organization</i>	<i>Key management personnel and their family members</i>	<i>Parent organization</i>	<i>Key management personnel and their family members</i>
Interest income on loans	36,743	19,016	-	16,354
Interest expenses on deposits	29,472	118,678	18,025	79,485

Compensation to management is as follows:

	<u>2020</u>	<u>2019</u>
Salary and other short-term compensation	1,263,401	1,217,477

## 4.17. Assets and Liabilities, Financial Condition

### 4.17.1. Historical financial information

The annual financial statements, approved by the Bank's audit conclusion and independent audit conclusions (copies) for 2018-2020 are provided in **Appendix 3** to this prospectus.

If desired, investors can download the Bank's financial statements from the Bank's website: <https://www.acba.am/hy/reports>.

### 4.17.2. Significant changes in the financial condition of the Bank

Changes in the Bank's operations and financial condition as of the end of 2020, before the date of the registration of the Prospectus, are presented in the following table.

Thousand AMD

Financial indicators	31.12.2020 (Audited)	31.12.2019 (Audited)	Increase/Decrease
Capital	70,509,102	68,642,564	2.72%
Assets	495,631,691	432,612,975	14.57%
Liabilities	425,122,589	363,970,411	16.80%

Thousand AMD

Financial indicators	01.01.20-31.12.20 (Audited)	01.01.19-31.12.19 (Audited)	Increase/Decrease
Profit / loss before tax	3,773,917	8,997,928	-58.06%
Net interest income	25,904,432	20,958,111	23.60%
Operating income	32,740,768	27,644,141	18.44%

### 4.17.3. Judicial, arbitration and administrative proceedings

During the 12 months prior to the submission of this Prospectus, the Bank is not involved in litigation, arbitration and (or) administrative litigation that could have a material or significant impact on the Bank's financial condition or profitability and / or may have or have had a significant impact recently.

#### **4.17.4. Tax benefits**

There are no special tax benefits for the issuer.

### **4.18. More information**

#### **4.18.1. Statutory capital**

***This section presents the following information according to the recent historical financial balance sheet:***

##### ***a. The amount of statutory capital***

The statutory capital of the bank is 30 000 000 000<sup>7</sup> (thirty billion) AMD.

##### ***b. The number of declared shares***

The number of declared common shares subject to the additional placement is 3 500 000 (three million five hundred thousand).

##### ***c. Number of issued and fully paid shares, number of issued but not fully paid shares***

The number of shares paid in full and issued by the bank is 5 000 000 (five million) ordinary (common) shares. There are no issued but not fully paid shares.

##### ***d. Nominal value per share***

The nominal value of each share amounts to 6 000 (six thousand) AMD.

##### ***e. Number of shares issued by the issuer, belonging to the issuer or its subsidiary, nominal and carrying amount: 0.***

#### **4.18.2. Charter**

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<sup>7</sup> The statutory capital of the Bank was replenished and instead of 30 billion AMD, it made 50 billion AMD, according to the decisions of the meeting of the Bank's Board on 25/02/2021 and the Annual General Meeting of Shareholders on 30/04/2021.

This part presents:

***a. The purpose of the issuer and field of activity, stating in which section of the issuer's charter can they be found***

"ACBA BANK" Open Joint-Stock Company is a universal bank, which is a commercial organization with the aim of making a profit. The main goal of the bank's activity is to support the development and strengthening of the economy, small and medium business, agriculture.

See Articles 1.1, 1.2 and 1.3 of the Charter.

***b. Articles of law, by-laws and (or) charter, which regulate the rights and responsibilities of the issuer's governing bodies, presenting a brief description of them***

The rights and responsibilities of the governing bodies are set out in sections 6-9 of the Charter, as well as articles 21 - 21<sup>10</sup> of the RA Law "On Banks and Banking Activities".

***c. Description of the rights and responsibilities of the owners of each class of shares of the issuer, according to the charter, as well as the restrictions related to those securities***

Each share of the bank gives the same rights to the owner shareholder. Each shareholder has the right to:

- participate in the General Meeting of Shareholders of the Bank with the right of votes on all issues within its competence, in the amount of its shares with the right of votes;
- participate in the management of the Bank;
- receive dividends from the profit arising from the Bank's activity;
- exercise their pre-emptive right to acquire shares to be placed by the Bank;
- receive the information on the Bank's activities defined by law, including getting acquainted with the balance sheets, reports (this information is provided to the Bank's shareholders free of charge, upon their written application, within three working days);
- the shareholders of the Bank, who own at least 5% of the voting shares in the Bank's statutory fund, have the right to request an audit of financial and economic activities by an external audit. In this case, the person conducting the external audit of the bank is selected, a contract with them is concluded and they are paid by the shareholders, requesting the audit. Moreover, they can demand reimbursement of their expenses from the Bank, if that audit was justified for the Bank by the General Meeting;
- authorize a third party to represent their rights at the general meetings of shareholders;
- make proposals at the general meeting of shareholders;
- vote by the amount of the fully paid shares owned by them;

- apply to the court to appeal the decisions, adopted by the General Meeting of Shareholders of the Bank, which contradict with the current laws and other legal acts;
- in case of liquidation of the bank, receive the part of the property available to them, have other rights provided by law and this charter.

The shareholders of the bank are obliged to:

- ensure the investment of the announced share participation amount in the statutory fund of the Bank in due time;
- not disclose confidential information about the Bank's activities;
- perform other responsibilities assigned to them by law.

***d. What steps shall be taken for the introduction of changes in shareholders' rights***

Changes in the rights of shareholders may be made in case of changes in the relevant legislative and sub-legislative acts.

**e. Procedure for convening regular and extraordinary meetings of shareholders, the procedure for participating in them**

The list of the Bank's shareholders entitled to participate in the General Meeting shall be compiled on the basis of the data of the Bank's register of shareholders as of the year, month and date, determined by the Board.

The year, month and date of compiling the list of participants of the Bank entitled to participate in the General Meeting may not be determined earlier than the adoption of the decision on convening the General Meeting, and not later than 45 days prior to the convening of the General Meeting.

If the General Meeting is convened by absentee voting, the year, month and date of compiling the list of participants of the Bank entitled to participate in it shall be established at least 35 days before the date of convening the General Meeting.

The Bank shall notify the Central Bank of the participation of its participants in the General Meeting not later than 15 days before its holding.

In order to compile the list of participants of the Bank entitled to participate in the General Meeting, the shareholder of the shares is obliged to provide data on the persons, for whose interests they manage the shares as of the year, month, data of compiling the list.

The list of participants of the Bank eligible to participate in the General Meeting shall contain information on the name (title), location (residence) of each participant of the Bank and their participation in the Bank's statutory fund.

The list of the Bank's participants, eligible to participate in the General Meeting, shall be provided to the Bank's participants, who are registered in the Bank's register of participants, for the purpose of getting acquainted with them.



At the request of the Bank participant, the Bank shall provide them with a certificate on their inclusion in the list of participants, entitled to participate in the General Meeting.

Changes in the list of the Bank's participants entitled to participate in the General Meeting may be made only to correct the mistakes made during the compilation of the list or to restore the violated rights of the Bank participants not included in it, or to restore their legal interests.

The General Meeting is convened at least once a year. The General Meeting is considered valid, if at the end of the registration of the participants of the General Meeting, the Bank's shareholders, who jointly own more than 50% of placed voting shares, are registered.

The shareholders are invited to the General Meeting individually. The agenda of the General Meeting is approved by the Board.

The shareholders must be notified of the convening of the General Meeting at least 15 days before the date of convening the General Meeting. The notice must contain at least the information required by law, including the place, date and agenda of the General Meeting. Notification must be made by fax, e-mail, mail order or hand-delivered.

The General Meeting may be convened in absentia. In case of holding a General Meeting in absentia, the agenda of the General Meeting shall be sent to the shareholders entitled to participate in the General Meeting at least thirty days in advance, and their opinions on each issue of the agenda shall be received.

The General Meeting may make decisions in such a way that during the General Meeting all participants may communicate with each other by telephone, teleconference or other means of communication in real time. Such a General Meeting is not considered to be held in absentia (inquiry). Decisions may be taken at General Meetings held in this manner only on matters not prohibited by law.

***f. Articles of the law, by-laws and (or) charter, on the basis of which it is required to disclose information about the fact of acquiring participation with the issuer***

Disclosure of information about it when acquiring participation in the bank is regulated by:

- Article 18, 18<sup>1</sup> of the RA Law on Banks and Banking Activities,
- Articles 153-157, Article 169 of the RA Law on Securities Market
- Regulation 4/15 "Procedure on Acknowledgment and Disclosure of Information on Acquisition, Increase and Decrease of Participation in the Statutory Capital of the Reporting Issuer",
- Regulation 4/16 "Procedure on the content, reporting form and submission of information to be included in the reports submitted to the Central Bank on

transactions with the issuer's shares, derivatives or other securities related to such derivatives by the head of the reporting issuer and persons affiliated with the issuer at their own expense"

- Regulation 1 "Procedures on Provision of Licensing, Registration, Consent and Permission, Relevant Professional examination and Qualification Procedures in the Sphere of Banking".

***g. Description of the provisions of the charter, which set stricter requirements than those set by the relevant laws or other normative legal acts***

The charter does not stipulate stricter requirements than those set by relevant laws or other normative legal acts.

#### **4.19. Significant contracts**

The Bank does not have any current contracts concluded by the Bank outside the normal course of business during the last 2 years prior to the filing of the Prospectus, the value of which exceeds 5% of the value of equity stated in the Bank's financial statements for the last reporting period.

#### **4.20. Professional opinions**

Except for the audited financial statements of the Bank presented in the Prospectus, professional opinion of other persons or information, taken from the third parties was not used in any part of the Prospectus.

#### **4.21. Other information**

During the entire period of application of the Prospectus, the Bank's charter, interim and annual financial statements, auditor's reports are always available to the public electronically. Electronic versions of the mentioned documents are posted on the Bank's official website [www.acba.am](http://www.acba.am).

It shall be noted that all the financial indicators presented in the Prospectus are calculated on the basis of the consolidated financial statements of "ACBA BANK" OJSC and its subsidiary "AGBA LEASING" CJSC.

#### 4.22. Participation in the capital of other entities

The bank has 5% or more voting shares in the capital of the following entities:

N	Organization	Organizational and legal form of the organization	Location	Number of share securities, belonging to the Bank	Bank's participation (%)
1	"AGBA LEASING" CO CJSC	Closed joint-stock company	10 V. Sargsyan Str., Yerevan, RA	200	100%
2	"AMUNDI-ACBA ASSET MANAGEMENT" CJSC	Closed joint-stock company	10 V. Sargsyan Str., Yerevan, RA	1,225	49%
3	"ACBA BROK" LLC <sup>8</sup>	Limited liability company	1 Bayron Str., Yerevan, RA	-	40%
4	"Armenian Card" CJSC	Closed joint-stock company	32/1 Garegin Nzhdeh Str., Yerevan, RA	5	6.25%

<sup>8</sup> "ACBA BROK" LLC was founded in 2004. The organization has carried out insurance intermediation activities. Currently, it is not active.

## UNIT 5. APPENDIXES

### APPENDIX 1: Organizational structure of the bank

### APPENDIX 2: Formulas for calculating financial ratios

Return on equity (ROE) = (Net income after tax / Average value of equity) x 100

Return on Assets (ROA) = (Net Income after tax / Average value of total assets) x 100

Net Profit Margin (NPM) = Net income after tax / Operating income

Asset Utilization Ratio (AU) = Operating Income / Average value of total assets

Equity multiplier (EM) = Average value of total assets / Average value of equity

Net Interest Margin (NIM) = Net Interest Income / Average value of profitable assets

Yield of profitable assets = Interest income / Average value of profitable assets

Cost of liabilities for which interest expenses are incurred = Interest expense / Liabilities for which interest expenses incurred

Earnings per share (EPS) = Net income after tax / Average weighted number of shares

Spread = (Interest income / Average value of profitable assets) - (Interest expense / Liabilities for which interest expenses are incurred)

## **APPENDIX 3: Financial statements**