

Interim Financial Statements
Statement of Financial Position
«31» December 2019

HSBC Bank Armenia CJSC
Address: 66 Teryan Street, Yerevan 0009, Republic of Armenia

| <i>In thousands of Armenian Drams</i> | 31.12.2019 | 31.12.2018 Audited |
|---|--------------------|-------------------------------------|
| Assets | | |
| Cash and cash equivalents | 39,454,938 | 43,085,915 |
| Loans and advances to banks | 17,278,393 | 17,359,992 |
| Investments in debt securities | 24,456,299 | 23,783,772 |
| Investments in equity securities | 32,069 | 32,093 |
| Loans and advances to customers <i>(See Note1)</i> | 118,921,797 | 103,780,022 |
| Other assets | 8,870,359 | 4,849,894 |
| Deferred income tax asset | 498,067 | 1,059,593 |
| Property, equipment and intangible assets | 4,064,431 | 2,718,200 |
| Total assets <i>(See Note1)</i> | 213,576,353 | 196,669,481 |
| Liabilities | | |
| Due to other banks | 26,457 | 421,388 |
| Current accounts and deposits from customers | 162,843,540 | 152,952,355 |
| Current tax liability | - | - |
| Other liabilities | 9,164,153 | 3,740,031 |
| Total liabilities | 172,034,150 | 157,113,774 |
| EQUITY | | |
| Share capital | 18,434,350 | 18,434,350 |
| Retained earnings | 22,627,633 | 20,752,161 |
| Share-based payments reserve | 111,003 | 83,371 |
| Revaluation reserve for financial assets at fair value through other comprehensive income | 54,786 | -123,036 |
| Revaluation reserve for AFS securities | - | 175,089 |
| Revaluation reserve for land and buildings | 314,431 | 233,772 |
| Total equity | 41,542,203 | 39,555,707 |
| Total liabilities and equity | 213,576,353 | 196,669,481 |

Note1: Additional information on loan portfolio volumes provided by HSBC Group

| | 31.12.2019 | 31.12.2018 |
|--|--------------------|--------------------|
| Loans to customers provided by HSBC Bank plc, London as referred by HSBC Bank Armenia cjsc | 55,589,654 | 72,124,647 |
| Total loans including loans to customers provided by HSBC Bank plc, London as referred by the Bank | 174,511,451 | 175,904,669 |
| Total assets including loans to customers provided by HSBC Bank plc, London as referred by the Bank | 269,166,007 | 268,794,128 |

Chief Executive Officer



Chief Financial Officer

P. Edgar

R. Melkonyan

Interim Financial Statements
Statement of Profit or Loss and Other Comprehensive Income

«31» December 2019

HSBC Bank Armenia CJSC

Address: 66 Teryan Street, Yerevan 0009, Republic of Armenia

| <i>In thousands of Armenian Drams</i> | 01.10.19- 31.12.19 | 01.01.19-31.12.19 | 01.10.18- 31.12.18 | 01.01.18-31.12.18 |
|--|-----------------------|-------------------|-----------------------|-------------------|
| Interest income calculated using the effective interest method | 3,045,181 | 11,356,660 | 2,825,583 | 10,843,490 |
| Other similar income | 23,142 | 80,440 | 28,597 | 262,603 |
| Interest and similar expense | -770,587 | -3,013,342 | -785,552 | -3,605,338 |
| Net margin on interest and similar income | 2,297,736 | 8,423,758 | 2,068,628 | 7,500,755 |
| Credit loss allowance | -367,604 | -493,775 | -720,374 | -1,513,411 |
| Net margin on interest and similar income after credit loss allowance | 1,930,132 | 7,929,983 | 1,348,254 | 5,987,344 |
| Fee and commission income | 650,541 | 2,460,906 | 749,476 | 2,750,969 |
| Fee and commission expense | -171,621 | -572,686 | -158,399 | -507,020 |
| Gains less losses from financial derivatives | 97,117 | -48,436 | 14,318 | 89,317 |
| Gains less losses from investments | 11,269 | 13,718 | -4,014 | 8,988 |
| Gains less losses from trading in foreign currencies | 176,028 | 830,322 | 211,854 | 717,348 |
| Other operating income | 151,002 | 514,815 | 101,919 | 225,135 |
| Personnel expenses | -1,352,801 | -4,565,678 | -1,083,009 | -4,213,947 |
| Other general administrative expenses | -849,560 | -4,145,989 | -1,042,535 | -4,379,596 |
| Profit before tax (see Note2) | 642,107 | 2,416,955 | 137,864 | 678,538 |
| Income tax (expense)/credit | -174,039 | -541,483 | -5,417 | -123,385 |
| Profit for the year | 468,068 | 1,875,472 | 132,447 | 555,153 |
| Other comprehensive loss: | | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | |
| Debt securities at fair value through other comprehensive income: | | | | |
| - Gains less losses arising during the year | 2,827 | 2,733 | 21,169 | -123,036 |
| Revaluation of premises and equipment | 80,659 | 80,659 | | |
| Other comprehensive loss for the year | 83,486 | 83,392 | 21,169 | -123,036 |
| Total comprehensive income for the year | 551,554 | 1,958,864 | 153,616 | 432,117 |

Note2: Additional information on profit, including net profit from loans and advances to customers provided by HSBC Group

| | 01.01.19-31.12.19 | 01.01.18-31.12.18 |
|---|-------------------|-------------------|
| Net profit from loans to customers provided by HSBC Bank plc, London as referred by the Bank | 2,311,429 | 1,024,545 |
| Profit before taxes including net profit from loans to customers provided by HSBC Bank plc, London as referred by the Bank | 4,728,384 | 1,703,083 |

Chief Executive Officer



Chief Financial Officer

P. Edgar

R. Melkonyan

«15» January 2020p.

Interim Financial Statements
Statement of Changes in Equity

«31» December 2019

HSBC Bank Armenia CJSC

Address: 66 Teryan Street, Yerevan 0009, Republic of Armenia

| <i>In thousands of Armenian Drams</i> | Share capital | Share-based payments reserve | Revaluation reserve for AFS securities | Revaluation reserve for securities at FVOCI | Revaluation reserve for premises | Retained earnings | Total |
|--|---------------|------------------------------|--|---|----------------------------------|-------------------|------------|
| Balance at 1 January 2018 | 18,434,350 | 95,927 | 175,089 | - | 233,772 | 20,047,198 | 38,986,336 |
| Adoption of IFRS 9: remeasurement for expected credit losses, net of tax | - | - | - | - | - | 149,810 | 149,810 |
| Restated balance at 1 January 2018 | 18,434,350 | 95,927 | 175,089 | - | 233,772 | 20,197,008 | 39,136,146 |
| Loss for the year | - | - | - | - | - | 555,153 | 555,153 |
| Other comprehensive income | - | - | - | -123,036 | - | - | -123,036 |
| Total comprehensive income for 2018 | - | - | - | -123,036 | - | 555,153 | 432,117 |
| Share-based payments | - | -12,556 | - | - | - | - | -12,556 |
| Balance at 31 December 2018 | 18,434,350 | 83,371 | 175,089 | -123,036 | 233,772 | 20,752,161 | 39,555,707 |
| Balance at 1 January 2019 | 18,434,350 | 83,371 | 175,089 | -123,036 | 233,772 | 20,752,161 | 39,555,707 |
| Profit for the year | - | - | - | - | - | 1,875,472 | 1,875,472 |
| Other comprehensive income | - | - | - | 2,733 | 80,659 | - | 83,392 |
| Total comprehensive income for 2019 | - | - | - | 2,733 | 80,659 | 1,875,472 | 1,958,864 |
| Share-based payments | - | 27,632 | - | - | - | - | 27,632 |
| Balance at 31 December 2019 | 18,434,350 | 111,003 | 175,089 | -120,303 | 314,431 | 22,627,633 | 41,542,203 |

Chief Executive Officer



P. Edgar

Chief Financial Officer



R. Melkonyan

«15» January 2020թ.

Interim Financial Statements

Statement of Cash Flows

«31» December 2019

HSBC Bank Armenia CJSC

Address: 66 Teryan Street, Yerevan 0009, Republic of Armenia

| <i>In thousands of Armenian Drams</i> | 01/01/19- 31/12/19 | 01/01/18- 31/12/18 |
|--|-------------------------------|-------------------------------|
| Cash flows from operating activities | | |
| Interest income calculated using the effective interest method received | 10,927,132 | 10,214,666 |
| Interest paid | -3,066,674 | -3,951,966 |
| Fees and commissions received | 2,556,329 | 3,006,553 |
| Fees and commissions paid | -552,251 | -608,207 |
| Income paid from financial derivatives | -83,713 | 209,826 |
| Income received from trading in foreign currencies | 777,177 | 742,042 |
| Net other operating income received | 586,388 | 225,135 |
| Staff costs paid | -4,149,367 | -4,229,983 |
| Administrative expenses paid | -3,276,960 | -3,207,231 |
| Income tax (paid)/received | 0 | 3,241 |
| Cash flows from operating activities before changes in operating assets and liabilities | 3,718,061 | 2,404,076 |
| <i>Net (increase)/decrease in:</i> | | |
| - investments in debt securities at fair value through profit or loss | 276,286 | 357,575 |
| - investments in debt securities at fair value through other comprehensive income | -1,888,333 | 4,686,062 |
| - debt securities carried at amortised cost | 973,665 | -5,011,361 |
| - loans and advances to banks | -8,887 | -6,888,522 |
| - loans and advances to customers | -15,752,389 | -8,534,602 |
| - other assets | 1,540,097 | -1,692,733 |
| <i>Net increase/(decrease) in:</i> | | |
| - due to other banks | -400,525 | -6,175,149 |
| - current accounts and deposits from customers | 10,500,310 | -4,054,904 |
| - other liabilities | -294,553 | 264,137 |
| Net cash (used in)/from operating activities | -1,336,268 | -24,645,421 |
| Cash flows from investing activities | | |
| Acquisition of property, equipment and intangible assets | -2,128,468 | -752,669 |
| Proceeds from disposal of property, equipment and intangible assets | 26,786 | 3,905 |
| Net cash used in investing activities | -2,101,682 | -748,764 |
| Effect of exchange rate changes on cash and cash equivalents | -187,559 | -924,130 |
| Net (decrease)/increase in cash and cash equivalents | -3,625,509 | -26,318,315 |
| Cash and cash equivalents at the beginning of the year | 42,617,095 | 68,935,410 |
| Cash and cash equivalents at the end of the reporting period | 38,991,586 | 42,617,095 |

Chief Executive Officer

P. Edgar

Chief Financial Officer

R. Melkonyan

«15» January 2020թ.