

PROGRAM PROSPECTUS

**FOR BONDS ISSUED BY
CONVERSE BANK CLOSED JOINT STOCK COMPANY**

Yerevan 2018

PROGRAM PROSPECTUS

CONVERSE BANK CLOSED JOINT STOCK COMPANY

Issuer's trade name, organizational/legal form

26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Republic of Armenia

Tel. (+374 10) 511-200, (+374 10) 511-211

Email post@conversebank.am

Website www.conversebank.am

CONVERSE BANK CLOSED JOINT STOCK COMPANY

Main Issuer's name, organizational/legal form

26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Republic of Armenia

Tel. (+374 10) 511-200, (+374 10) 511-211

Email post@conversebank.am

Website www.conversebank.am

FILING OF THE PROSPECTUS WITH THE CENTRAL BANK OF ARMENIA SHALL BY NO MEANS CONFIRM THE SAFETY OF INVESTMENT, ACCURACY OR AUTHENTICITY OF INFORMATION.

Type of securities:	Registered, coupon bond
Form of security:	Dematerialized
Par value per security:	USD 100 (one hundred), EUR 100 (one hundred), AMD 100,000 (one hundred thousand)
Total quantity of issue:	250,000 (two hundred and fifty thousand) with USD, 50,000 (fifty thousand) with EUR, 30,000 (thirty thousand) with AMD
Total value of issue:	USD 25,000,000 (twenty-five million), EUR 5,000,000 (five million), AMD 3,000,000,000 (three billion)
Value per tranche:	To be determined by the Bank Board for each tranche
Quantity per tranche:	Based on total value and par value per tranche
Annual coupon yield:	To be determined by the Bank Board for each tranche
Flotation period:	To be determined by the Bank Board for each tranche
Coupon payment frequency:	To be determined by the Bank Board for each tranche
Form of issue:	Non-underwritten

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RESPONSIBLE PARTIES

We, the undersigned, assure that we have made all reasonable efforts to ascertain the accuracy and integrity of the included information. Therefore, we assure that to the best of our knowledge the information included in the Prospectus is accurate and integral and contains no omission that may misrepresent the substance of the Prospectus.

Signatories

Armen Ter-Tachatyan
Chairman of Board, Converse Bank CJSC

(date)

Juan Pablo Gechidjian
Converse Bank CJSC Board Member

(date)

Arsen Gamaghelyan (Ter Hovel Archpriest)
Converse Bank CJSC Board Member

(date)

Jose Luis Persico
Converse Bank CJSC Board Member

(date)

Artur Hakobyan
Converse Bank CJSC, CEO
Chairman of Executive Management

(date)

Davit Azatyan
Converse Bank CJSC
Head of Accounting Division/Chief Accountant
Member of Executive Management

(date)

Gohar Harutyunyan
Converse Bank CJSC
Operations, Services and IT Director
Member of Executive Management

(date)

Grant Akopian
Converse Bank CJSC Financial Director
Member of Executive Management

(date)

Vahe Dalyan
Converse Bank CJSC Risk Management Director
Member of Executive Management

(date)

Artur Nahapetyan
Converse Bank CJSC
Business Development Director
Member of Executive Management

(date)

Grigory Baghdasaryan
Converse Bank CJSC
Retail Business Director
Member of Executive Management

(date)

Rostom Badalyan
Converse Bank CJSC
Corporate Business Director
Member of Executive Management

(date)

SECTION 1. SUMMARY

The Summary is viewed as the preamble to the Prospectus, and the investor's decision on investments in the offered securities is to be based on the whole Prospectus.

The parties responsible for development of the Summary bear civil liability for incomplete or misleading information (including the translation) contained in the Summary, where the latter is incomplete and misleading for review of the remaining sections of the Prospectus.

The investor can obtain the hard copies of the Prospectus and the supporting documents at the Head Office of the Bank, or the soft copies on the Bank's website: www.conversebank.am.

1.1 Brief Information about the Bank and Activities of the Bank

1.1.1 Bank Details and Contacts

The full firm name of the Bank is:

in Armenian «Հոնվերս Բանկ» փակ բաժնետիրական ընկերություն

in Russian закрытое акционерное общество “Конверс Банк”

in English “Converse Bank” closed joint-stock company.

The short firm name of the Bank is:

in Armenian «Հոնվերս Բանկ» ՓԲԸ

in Russian ЗАО “Конверс Банк”

in English “Converse Bank” CJSC.

The officially registered address of the Bank is:

26/1 Vazgen Sargsyan, Yerevan, Armenia.

State Registration # 57

Location:

26/1 Vazgen Sargsyan, Yerevan, Armenia.

Contacts:

Tel. (+374 10) 511-200, (+374 10) 511-211

Fax (374 10) 511-212

Email post@conversebank.am,

Website www.conversebank.am:

Country of incorporation: Republic of Armenia

Organizational/legal form: closed joint stock company (registered on 20.12.1993).

For questions relating to investments in bonds, please contact the respective specialists of the Treasury, Dealing and Financial Markets Division of Financial Department of the Bank: (+374 10) 511-206, 511-247.

1.1.2. Foundation and History of the Bank

The Bank has conducted actual business since 1993 and has been active in the RA banking market for 25 years.

The Bank was registered with the Central Bank of Armenian in December 1993, and is the legal successor of North-Armenian joint stock bank.

The Bank was reorganized into Converse Bank closed joint stock company in 1997. The Bank was granted the banking license #97 by the Central Bank of Armenia. Converse Bank closed joint stock company was registered at 26/1, Vazgen Sargsyan, Republic Square, Yerevan, Armenia; and the Central Bank of Armenia (the CBA) was the registering authority.

The trade name and the logotype of the Bank are protected under the RA normative acts and are registered with the RA Patent Office (Trade Name Registration Resolution at 03.06.1999, registration #107913).

The logo of the Bank is:



The founder and major shareholder of the Bank is Advance Global Investments LLC.

1.1.3. Share Capital of the Bank

The Bank's share capital consists of ordinary and preference shares: shareholders of the Bank are: Advanced Global Investments LLC – ordinary shares 80.94% and 333 preference shares, Haypost Trust Management B.V. – ordinary shares 14.06%, and Armenian Apostolic Church, represented by Mother See of Holy Etchmiadzin – ordinary shares 5%.

To date Converse Bank CJSC has issued and allocated 54,722 (fifty-four thousand seven hundred and twenty-two) ordinary shares, each at AMD 300,000 (three hundred thousand) par value, and 333 (three hundred and thirty-three) convertible preference shares, each at AMD 100 (one hundred) par value, which generate the share capital of the Bank.

1.1.4. Geographic Distribution

As of 20.02.2018, the Bank had 35 branches located in 9 regions of Armenia, Yerevan, and in Stepanakert, the capital of Artsakh Republic.

Geographical distribution of branches of the Bank

Regions and cities	Number of branches
Kotayk	6
Lori	1
Syunik	1
Shirak	3
Tavush	2
Armavir	3
Ararat	1
Aragatsotn	1
Gegharkunik	1
Yerevan	15
Stepanakert	1
Total	35

The list of branches is presented in Annex 5.

1.1.5. Position in Banking Sector (as of 31.12.2017)

All in all, 17 Armenia-based banks, Converse Bank CJSC among them, have 526 branches located in Armenia and the NKR:

- The share of the Bank's branches in the banking system makes 6.5% (34 branches).

As of 31.12.2017, based on the financial disclosures of banks, the Bank had the following position in the Armenian banking sector by financial results:

- 7th place by net profit (AMD 3.63 B or 9.8% market share),
- 4th place by liabilities to customers (AMD 179.8 B or 6.5% market share),
- 6th place by assets (AMD 252.7 B or 5.8% market share),
- 6th place by credit investments (AMD 165.2 B or 6.3% market share),
- 10th place by total capital (AMD 36 B or 5.1% market share).

1.1.6. Mission and Strategy of the Bank

The mission of the Bank is to become the first choice bank in Armenia.

The vision of the Bank is to meet the financial needs of our customers and assist them to achieve financial success by offering quality and accessible banking services within the Bank's service network and as well by all available methods of remote banking.

The Bank has adopted the below values when offering services to customers:

- Accessibility
- Affordability
- Novelty
- Awareness
- Support
- Care

The Bank applies Corporate Values:

- Teamwork
- Responsibility
- Delegation of decision making powers
- Integrity
- Training and development
- Inspiration

1.1.7. Business Profile

The main business of the Bank is lending and accepting of deposits, opening and servicing of bank accounts, issuance and servicing of payment cards of local and international payment systems, offering of clearing/settlement services including in-country and cross-border transfers (also through fast transfer systems), internet banking, and offering of other banking services to individuals and businesses.

The below listed types and/or subtypes of transactions and services take a considerable share in the Bank's business.

1. Being oriented as a retail bank and prioritizing the expansion of services to individuals, and based on the actual results of the past years, the Bank views the mortgage loan segment as an essential business area.

The Bank takes the 2nd place in the Armenian mortgage loan market and intends to become the leader in the Armenian banking sector by the mortgage loan volume as the result of improved efficiency of lending technologies and terms.

Through mortgage loans the Bank establishes long-term business results with customer having sustainable income by cross-selling other services; at the same time the mortgage loans activate the real estate market and ultimately the economy, subsequently adding the number of registered titles of ownership due to sales in the real estate market.

2. The intensification of specific industries in the real sector of economy will lead to the growth of demand in SME loans, consequently to the growth of lending volumes of the Bank. In 2018, similar to 2017, the Bank will carry on the SME financing campaign.
3. Numerous card promotion actions, extension of service list, issuance of payment cards on preferential terms to target groups and the recorded results serve a ground to view the segment of payment cards as an essential business direction for the Bank in 2018 and the following years. The Bank intends to increase the number of payment cards in 2018 (the Bank plans 20% growth of business cards in 2018) and simultaneously enhance the Bank's positions in the Armenian banking industry.

Target segments of financial services market by industries and regions are:

- Among industries: a) food processing and energy, b) trade, c) construction and agriculture, d) transport and communication, and e) consumer loans,
- Issuance of bonds by the Bank,
- Securities market – RA government and corporate securities primary and secondary markets,
- Among RA regions – Yerevan, Lori, Shirak, Kotayk, Armavir, Ararat, Gegharkunik, Tavush, Aragatsotn, Syunik marzes, Artsakh; new targets are other large and medium cities of the regions,
- The Bank plans to afford new opportunities for the Bank's cardholders in Georgia. At the same time the Bank intends implementation of special projects for its cardholders in Moscow. The Bank prioritizes cooperation opportunities in Georgia and Russia and surveys the feasibility and methods for the Bank's brand recognition and attraction of new customers in the particular counties,
- The main geography of transfers includes Russia, Ukraine, the USA, Europe, etc,
- The RA Forex and securities markets.

Key customer groups by regions, residence and legal status are:

The Bank will continue offering services to businesses and population of Armenia and NKR by applying modern technologies, specifically ATM's, payment terminals, remote systems (internet-banking, mobile-banking, SMS-banking).

The range of services offered by the Bank to residents and nonresidents include:

- Resident customers: a) for individuals – time and demand deposits, cash payment/settlement services, installment, consumer and mortgage loans, payment cards, online systems, FX transactions and money transfers; b) for legal entities and sole proprietors – demand and time deposits, cash payment/settlement services, lending, payroll cards, online systems, FX transactions and money transfers;
- Nonresident customers: for individual and legal entities – demand and time deposits, cash payment/settlement services, payroll cards, online systems and FX transactions.

4. Investment activities;
5. Remote banking services;

6. Payment/settlement services; and
7. Issuance and servicing of payment cards of local and international payment systems continuously improving the safety of card transaction.

1.1.8. Strategy of the Bank

The core strategic goals of the Bank include:

Based on the shareholder and customer trust and equilibrium between risk, equity and profit:

1. Double the amount of credit investments in 2017-2019 to achieve 27% annual growth of credit investments in average;
2. Turn into a leader by the amount of mortgage loans through improvement of lending process and terms by making the latter more affordable;
3. Achieve 10% market share in retail credit investments;
4. In the upcoming 3 years, increase payment card volumes by 2.2 times and secure 30% annual growth in average, thus enhancing the position among top 3 banks. Along with the expansion of payment cards, the Bank planned implementation of various loyalty projects for the Bank cardholders, including improvement of discount schemes and opportunities inside and outside Armenia;
5. In the upcoming 3 years achieve growth of noninterest income of the Bank in excess of the average growth of noninterest income in the banking sector;
6. Cooperate with international financial organizations to attract long-term funds;
7. Within the scope of Corporate Social Responsibility Policy of the Bank, implement target industry projects, and issue energy-efficient and GREEN loans;
8. One of the priorities of the Bank was the expansion of cooperation with refinancing organizations to increase the amount of financing thereby;
9. Render high-class and quality services and reduce the customer service duration;
10. Introduce quality control system to secure high quality banking services and business processes;
11. Make investments in banking technologies to offer innovative services promoting application of digital banking technologies and offering of current and new banking services through Internet, cellular gadgets and as well the Bank's self-service machines, thus securing 24/7 customer service.

The goals of the Bank are mainly the same, however several goals have been adjusted due to the basic financial results actually achieved and measures taken by the Bank in 2017. In 2017, the lending terms continued to improve, whereby the credit facilities became more competitive. Simultaneously the loan decision-making process was revised, new collegial bodies were created and retail and corporate financing scoring schemes were introduced. Given the market position and the prioritization of retail and SME financing segments, and due to the full utilization of the lending potential, the planned lending targets are quite realistic.

The Bank has taken the 2nd place in the Armenian mortgage loan market and intends to become a leader due to improved efficiency of lending technologies and lending terms.

Further expansion of payment card turnover and preservation of leading positions are among the priorities, and the Bank plans to implement various co-branded actions with VISA and MasterCard payment systems, cardholder loyalty projects, improvement of discount scheme and extension of service list, such as VISA Direct (VPP) C2C transfers and the like.

The need for fund attraction strengthens along with the growing lending volumes, therefore the Bank intends to take explicit measures for attraction of long-term funds from and collaboration with international financial institutions.

The Bank will continue to focus on increase of noninterest income, simultaneously offering the customers new services and extending the list of existing services.

The Bank has adopted corporate social responsibility policy, whereby it encourages the use of ecologically sound materials by the borrowers for construction and renovation works, and as well the growth of share of green/energy-saving loans in the loan portfolio.

Due to expansion of cooperation with refinancing companies the Bank intends to increase the respective financing volumes under the latter's programs.

As a priority and prospective course for development of banking services, the Bank will focus on further development of remote banking, application of banking service options by methods affordable and convenient for customers, introduction and improvement of new internet banking and mobile banking instruments, introduction of a special model in the Bank's website for online application of certain types, and development and introduction of target products for the population of specific regions of Armenia.

The Bank places specific focus on high class and quality customer services and will organize regular trainings, and a special course of action will be designed including quality criteria and binding standards, and at the same time actions will be taken for automation of processes and streamlining of servicing duration.

Specific attention is paid to the improvement of customer service, and actions will be taken to enhance the efficiency of business processes, and the Bank will take all possible actions to automate the works, specifically to reduce the duration of processes and to prevent errors.

1.1.9. Assets Quality

Asset adequacy: According to unaudited accounts, the Bank's net profit made AMD 3.6 B, and the ROE (net profit to average equity ratio) made 10.66% in 2017. The total capital to total assets ratio made 14.2%.

Asset quality: The Bank's gross loan portfolio made AMD 170 B as of December 31, 2017. In 2016, the retail and corporate lending terms were revised due whereto the credit facilities became more competitive, and at the same time the lending process was revised. Due to application of the latter and the Bank's market position and the full utilization of the lending potential, the planned growth in lending is quite realistic.

Asset liquidity: The Bank intends to ensure sustainable and differentiated financial sources to provide for fast and cost-saving satisfaction of unexpected liquidity needs. The below table illustrates the CBA-set norms (average ratio of the final month in the reporting period).

Norms	CBA-set ratios	Actual ratio 2017	Actual ratio 2016	Actual ratio 2015	Actual ratio 2014
N ₂ ^{1*}	15%	35.26%	39.01%	31.06%	25.21%
N ₂ ^{2**}	60%	102.49%	116.23%	91.02%	89.96%

* Min ratio of high liquid assets to total assets

** Min ratio of high liquid assets to demand liabilities

1.2 Risk Relating to Issuer and Bonds

Risk assumption constitutes the integral part and the consequence of financial operations, and the investor has to take into account that investments in bonds involve certain risks related not only to the Issuer's financial status and business results (Issuer risk) but also to the situation in the financial market (market risk).

The adverse changes in the market can cause the Bank's default on obligations or the decline in the bond price or liquidity in the market. As the result of the aforementioned, the investor may lose the invested amount in whole or in part.

The potential investor prior to taking a decision on investments in the bonds has to be cautious and take into account the below stated risks and other information included in the Prospectus, as well as the own practices, goals, financial resources, risk appetite and expected income. Furthermore, the potential investor has to understand that the below listed risks do not cover all risks the Issuer may ever bear. The Issuer reveals only those they consider essential. Presumably there might be additional risks, which the Issuer does not currently consider essential or which are not known at present, and any such risk can have the aforementioned effect and consequence.

Banking is exposed to a variety of financial risks. The major risks include the credit risk, the market risk, the liquidity risk, the inflation or purchasing power risk, the operational risk, the legal risk and the IT risks.

Strengthened competition due to market concentration: The banking industry is exposed to strong competition, which can have an adverse effect on the Issuer's business and financial results. At the point of development of the Prospectus, several banks were compatible with the Issuer, which further strengthened the competition in the banking sector. However, the Issuer is actively involved in all processes and secures its stable position in the industry.

Credit Risk: Banking assumes credit risk relating to the borrower's default on obligations, due where to the Bank can incur loss. The credit risk is the major risk of the Bank, therefore the Bank keeps the same under its special control. The details of nonperforming loans and assets of the Bank are presented in the attached financial statements and in page 37 of the Prospectus.

When purchasing the bonds of the Bank the investor assumes the potential risk of financial impairment, default of payment of principal and coupons and bankruptcy of the issuer.

Operational Risk: Operational risk is the probability of loss or direct loss arising from inadequate or inaccurate internal processes, human error, systems and external environment, which can have an adverse effect on the equity and profit of the Bank.

The details of banking risks (particularly relating to Converse Bank CJSC), and the measures taken by the Bank to prevent those risks and to minimize their adverse effect are specified in paragraph 3.2 below (page 33).

The investments in bonds offered under the Prospectus involve certain risks.

Market Risk: Market risk is the probability of fluctuation of future cash flows or the real value of financial instruments due to market variables (such as interest rates and exchange rates). Market Risk includes interest rate, price, exchange and equity instrument price risks. To mitigate the adverse impact of the particular risk on the Bank's financial results, the Risk Management Department has established the risk appetite amount and has developed market risk limits, and provides continuous control over their compliance.

Exchange Risk: Exchange risk may occur when issuing bonds with foreign currency. The risk may arise due to abrupt fluctuations of exchange rate and inadequate management of assets and liabilities expressed with foreign currency, thus causing loss. For instance, upon USD depreciation, the investor having acquired bonds with USD will make certain loss. When making exchange for investment in bonds, the investor has to also take into account that their income

might be less than expected due to unfavorable fluctuation of exchange rate.

Interest Rate Risk: The volatility of interest rates in the Armenian financial market may adversely affect the bond yield and the liquidity rates. Increase of interest rates in the market may also force the Issuer to revise (raise) the bond yield, which will in turn cause the decline or rise of price.

Purchasing Power Risk: The investors have to assume that the actual income receivable by them can be smaller (at the rate of inflation) than the registered coupon yield offered by the Issuer due to inflationary pressures.

Reinvestment Risk: The investors purchasing bonds to be held to maturity have to assume the reinvestment risk; i.e. the risk of inability to reinvest the proceeds from regular coupon payments or the principal payment at least at the same rate of yield.

Liquidity Risk: Liquidity risk may arise from abrupt change in the market situation or the impairment of the Bank's financial status. The Issuer has an action plan for securing the liquidity of bonds (regular coupon payments, competitive yield, listing and permission to trade on regulated market, market maker contracts), nonetheless the Issuer cannot guarantee that the bonds can be sold in the secondary market at any point or at the preferable price.

Geopolitical Risk: The unfavorable changes in geopolitical, regional and in-country political situation may arise negative factors that can affect adversely on the general macroeconomic situation, which in turn can increase the share of nonperforming loans, add the provisioning costs and decrease the Bank's profit.

Regulatory Changes: The Issuer conducts business in one of the most regulated industries of the Armenian economy. The introduction of Basel 3 standards from 2018 may have positive or negative impact on the Bank's business and financial results.

Further details on risks relating to the offered bonds are specified in below paragraph 2.1 (page 21).

1.3 Business and Financial Development Trends of the Bank

Converse Bank CJSC is one of the leading banks in Armenia. One of the basic goals of the Bank is the continuous and reliable allocation of capital and as well the timely and quality banking services to its customers. The well-balanced policy of the Bank is the guarantee of stability and good financial-economic results.

Among the priority trends, the Bank considers application of new banking technologies, reliable allocation of resident and nonresident customers' capital and offering and rendering the latter of comprehensive banking services. As a foremost and prospective route for expansion of banking services, the Bank views the remote banking, accessibility of 24/7 service to the best extent possible through both remote banking and the Bank's self-service machines by upgrading the technological base.

The Bank places a special focus on high class and quality customer service and organizes regular trainings for the personnel to improve their performance and to streamline the servicing period. The high professionalism of the personnel allows the Bank to promptly respond to the changes in the market infrastructure, concentrate and use the funds in more perspective areas.

The personnel has increased over the years together with the development and expansion of the business. As of 31.12.17, the total number of employees amounted to 806 (including those in maternity leave).

Based on the Bank's mission and goals, shareholders stance, strengths and weaknesses, opportunities and threats, the Bank has set the following key objectives for 2018:

- 21% growth of the loan portfolio to reach more than AMD 190 B at the year-end of 2018:
 1. SME finance growth will make 44.2%;

2. Retail loan growth will make 22.5%
- The 2018 objectives of regional expansion policy will include:
 1. Opening of 9 new branches, of which 4 - in Yerevan;
 2. Relocation and renovation of 3 operating branches;
 3. Capital or running repair of 5 operating branches;
 - Actions planned for development of the Bank's card business in 2018, implying the increase of both the quantity of payment cards and the volumes of transactions made with payment cards. Simultaneously, new opportunities for transactions with payment cards will be offered;
 - From the perspective of transactions with payment cards, VISA Direct /VPP/ international card to card transfers are planned;
 - Within the scope of the Bank's corporate social responsibility policy, implement target industry projects, as well as increase the share of energy-saving loans in the loan portfolio, and issue GREEN loans;
 - Expand cooperation with international financial organizations (Asian Development Bank, EBRD, IFC, German KfW Development Bank);
 - Generate a portfolio of about AMD 20 B for the bonds issued by the Bank;
 - Offer excellence customer service at the Bank, implying automation of processes and reduction of the customer service duration;
 - Offer innovative services by applying digital banking technologies to ensure accessibility of banking products and services in various information platforms.

The change of the Bank's organizational structure, the improvement of corporate governance system and the introduction of quality control system are aimed at enhancement of customer services and business processes.

The below table provides a picture of the Bank's business results.

NAME	AMD thousand		
	31/12/17 (unaudited)	31/12/16 (audited)	31/12/15 (audited)
ASSETS	252,735,853	190,993,270	158,903,165
LIABILITIES	216,736,232	158,815,267	138,201,740
EQUITY	35,999,621	32,178,003	20,701,425
Net interest income	9,340,183	7,071,897	6,496,275
Operating income (including net commission fees)	13,571,064	9,971,725	9,209,400
Pre-tax profit/(loss)	4,414,515	1,508,590	-616,073
After-tax profit/(loss)	3,626,122	1,565,032	-663,583
ROA, %	1.65%	0.94%	-0.44%
ROE, %	10.66%	5.84%	-2.97%

1.4 Auditors of the Bank

In 2011-2014, the external auditor of the Bank was Grant Thornton Amyot: address 8/1 Vagharshyan, 0012 Yerevan, tel. (374 10) 26-09-64, fax (374 10) 26-09-61, website www.gta.am. Gagik Gyulbudaghyan is the director/shareholder of the company.

The General Shareholder Meeting of the Bank selected Grant Thornton CJSC as the external auditor of the Bank for 2012-2014. Ernst & Young CJSC was selected as the external auditor of the Bank for 2015, 2016 and 2017: address: Office 27, 1 North Avenue, 0001 Yerevan, Armenia;

tel. (+374 10) 500-790, fax (+374 10) 500-706, website www.ey.com/am. Hakob Sargsyan is the general director of the company.

The goal of the audit is to obtain sufficient guarantees that the financial statements are free of essential inaccuracies.

No case of refusal from work, re-election or dismissal by the auditor of the Issuer has occurred within 3 years prior to the date of filing of the Prospectus.

1.5 Management Authorities of the Bank

1.5.1. Shareholders of the Bank

Advanced Global Investments LLC – ordinary shares 80.94% and 333 preference shares, Haypost Trust Management B.V. – ordinary shares 14.06%, and Armenian Apostolic Church, represented by Mother See of Holy Etchmiadzin – ordinary shares 5%.

To date Converse Bank CJSC has issued and allocated 54,722 (fifty-four thousand seven hundred and twenty-two) ordinary shares, each at AMD 300,000 (three hundred thousand) par value, and 333 (three hundred and thirty-three) convertible preference shares, each at AMD 100 (one hundred) par value, which generate the share capital of the Bank.

Due to the organizational form of the Bank, the shares of the Bank are not traded on the regulated market. The shares of the Bank are issued termless.

1.5.2. Managerial authorities of the Bank

The Charter of the Bank establishes the following management authorities:

- General Shareholder Meeting (the Meeting),
- Board,
- Executive Authority: CEO and Executive Management.

The Board consists of seven members.

#	Name	Position
1	Armen Ter-Tachatyan	Chairman of Board
2	Juan Pablo Gechidjian	Board Member
3	Arsen Gamaghelyan (Ter Hovel Archpriest)	Board Member
4	Jose Luis Persico	Board Member
5	Daniel Guillermo Simonutti	Board Member
6	Jorge Alberto Del Aguila	Board Member
7	Juan Carlos Ozcoidi	Board Member

The Executive Management consists of eight members.

#	Name	Position
1	Artur Hakobyan	CEO, Chairman of Management Board
2	Davit Azatyan	Head of Accounting Division/Chief Accountant, member of Executive Management
2	Gohar Harutyunyan	Operations, Services and IT Director, member of Executive Management
3	Grant Akopian	Financial Director, member of Executive Management
4	Vahe Dalyan	Risk Management Director, member of Executive Management
5	Artur Nahapetyan	Business Development Director,

		member of Executive Management
7	Grigory Baghdasaryan	Retail Business Director, member of Executive Management
8	Rostom Badalyan	Corporate Business Director, member of Executive Management

1.6. Basic Statistical Data of Bonds Offered by the Bank

The bonds issued by Converse Bank CJSC (the Bank) are registered, dematerialized, coupon, medium-term and are to be placed with 3 and more tranche. The placement of the final tranche of bonds will complete no later than within 1 year from approval of the Prospectus by the CBA.

The issued bonds are placed and redeemed with USD for USD bonds, with EUR for EUR bonds, and with AMD for AMD bonds. The payment against the coupons of USD, EUR and AMD bonds is made with AMD.

Par value per security:	USD 100 (one hundred), EUR 100 (one hundred), AMD 100,000 (one hundred thousand)
Total quantity of issue:	250,000 (two hundred and fifty thousand) with USD, 50,000 (fifty thousand) with EUR, 30,000 (thirty thousand) with AMD
Total value of issue:	USD 25,000,000 (twenty-five million), EUR 5,000,000 (five million), AMD 3,000,000,000 (three billion)
Value per tranche:	To be determined by the Bank Board for each tranche
Quantity per tranche:	Based on total value and par value per tranche
Annual coupon yield:	To be determined by the Bank Board for each tranche
Flotation period:	To be determined by the Bank Board for each tranche
Coupon payment frequency:	To be determined by the Bank Board for each tranche
Form of issue:	Non-underwritten

The final terms of issuance, placement, trading and redemption of bonds are to be determined by the Bank Board for each tranche.

The final terms and conditions for each issue of bonds are filed with the CBA and posted on the Bank's website www.conversebank.am at least 2 (two) days before issuance.

Early redemption of bonds is not planned.

The execution of obligations under the bonds are not guaranteed since the bonds are unsecured.

With this issue the Bank intends to expand and to diversify the base of potential depositors, to introduce the potential investors to the Bank's investment instruments on NASDAQ OMX Armenia OJSC trading floor, and to disseminate the information about the Bank's credit risk to the broadest range of investors possible. The cash flows from placement of bonds will be an additional resource to expand the volumes of loans issued by the Bank.

1.7. Details of Bond Offering

1.7.1. Outline of Bond Issuance Process

The Issuer's bonds will not be offered for subscription.

The starting and end dates of each tranche are to be determined by the Board.

To acquire bonds, the investors have to complete in due form the respective buy orders (legal entities based on Annex 1, and individuals based on Annex 2) and file the latter with the Bank, make the respective payment, whereby they will confirm the acceptance of the bond issuance terms.

The bond buyer has to have a USD account (for USD bonds), a EUR account (for EUR bonds) and an AMD account (irrespective of the currency of the issued bond to be purchased) with any bank, and securities account with any Account Operator.

The investor in bonds can earn income from:

- Interest on bonds,
- Capital gain.

The yield on bonds issued by the Bank is taxable for profit tax (for legal entities) and income tax (for individuals) in compliance with the RA Taxation Code.

1.7.2. Payment procedure

The buyers of the bonds have to make the payments on the day of submission to the Bank of the buy order in due form (whereby they will confirm the acceptance of terms of issue), no later than 16:30, through cash payment or transfer onto the special transit accounts opened with the Bank #1930043129906501 (for USD bonds), #1930043129823704 (for EUR bonds) and #1930043123398600 (for AMD bonds). The amount payable for the bonds is calculated by the below formula, by multiplying the price per bond at the particular date of placement by the number of purchased bonds; furthermore, where the buy order was placed and the respective amount was paid by 16:30 of the particular day, the price of the bond is determined at the particular date. The amount of payment for the buy order placed and/or effected after 16:30 is determined at the price of the bond at the following business day.

1.7.3. Bond Price Calculation Formula

$$DP = \frac{C}{f} \sum_{t=1}^N \frac{1}{\left(1 + \frac{y}{100 * f}\right)^{t-1+\tau}} + \frac{100}{\left(1 + \frac{y}{100 * f}\right)^{N-1+\tau}}$$

where

$$\tau = \frac{DSN}{DCC}$$

DP is the price of bond (is rounded after the decimal point by 4 digit accuracy, based on the arithmetical rounding rules),

DSN is the number of days left from the day of deal through the subsequent payment of coupon, upon respective conditionality

DCC is the number of days from the coupon payment day preceding the deal through the coupon payment succeeding the deal, upon respective conditionality

f is the number of coupons paid in 1 year, frequency

N is the number of coupon payments left at the point of calculation,

C is the annual coupon against 100 unit par value,

y is the yield to maturity.

The value per tranche is determined by the Board based on the market demand.
The Bank undertakes to publish the bond price of each issue throughout the placement on its website: www.conversebank.am.

The coupon payable for the bond is calculated with the periodicity established by the Board per issue, on the respective day of each n^{th} month following the starting day of placement.
The coupon payable for the bond is calculated by the following formula.

$$AI = FV \times \frac{C}{k} \times \frac{DCS}{DCC}$$

where

AI is the accumulated coupon income,

FV is the face value per bond,

C is the annual nominal interest rate of coupon,

k is the number of coupons payable annually, frequency (upon semiannual payment of coupons $k=2$).

The conditionality of calculation of days for the Issuer's bonds is deemed Actual/Actual; furthermore:

DCS is the number of days between the starting date of coupon redemption/coupon accumulation preceding the day of the deal and the day of the deal, upon the respective conditionality [D2M2Y2-D1M1Y1],

DCC is the number of days in coupon cycle upon the respective conditionality [D3M3Y3-D1M1Y1],

D1M1Y1 is the date of coupon redemption/start of coupon accumulation preceding the date of the deal,

D2M2Y2 is the date of the deal,

D3M3Y3 is the date of coupon redemption/par value redemption succeeding the date of the deal.

The annual coupon interest rate payable for each tranche is to be determined by the Board.

1.8. Maintenance of Bond Registry

The Bond Register will be maintained by the Central Depository of Armenia (5B Mher Mkrtchyan, 0010 Yerevan, Armenia), tel. (+374 10) 543 321, in compliance with the rules and regulations of the Central Depository of Armenia.

1.9. Other Essential Information

Under the RA Law on GUARANTEE OF REMUNERATION OF BANK DEPOSITS OF PHYSICAL ENTITIES, Article 2.1(c), the funds attracted with registered securities issued by the Bank are deemed a bank deposit. Therefore, the investments of individuals, including the sole proprietors in the registered bonds issued by the Bank, as well as the earned interests are guaranteed to the same amount and in the same order as the deposits.

The Bank pays the coupon sum to the bondholders on the coupon calculation day. Where the coupon calculation day is a non-business day, the payment day is deemed the first business day following the particular day. The coupon payments are made with AMD. For USD and EUR bonds, the coupon is calculated at the average market exchange rate published by the CBA on the day preceding the coupon calculation.

1.10. Brief Financial Info

The annual and quarterly financial statements and the financial ratio calculation formulae are presented in Annexes 6 and 7.

AMD thousand

Indicator	31/12/17 (unaudited)	31/12/16 (audited)	31/12/15 (audited)
Net profit after profit tax deduction	3,626,122	1,565,032	-663,583
Average equity	34,014,258	26,807,180	22,376,240
ROE, %	10.66%	5.84%	-2.97%
Net profit after profit tax deduction	3,626,122	1,565,032	-663,583
Average total assets	219,555,541	167,144,815	152,182,843
ROA, %	1.65%	0.94%	-0.44%
Net profit after profit tax deduction	3,626,122	1,565,032	-663,583
Operating income	13,571,064	9,971,725	9,209,400
Net profit margin (NPM), %	26.72%	15.69%	-7.21%
Operating income	13,571,064	9,971,725	9,209,400
Average total assets	219,555,541	167,144,815	152,182,843
Assets utilization ratio (AU), %	6.18%	5.97%	6.05%
Average total assets	219,555,541	167,144,815	152,182,843
Average equity	34,014,258	26,807,180	22,376,240
Equity multiplier (EM)	6.45	6.24	6.80
Net interest income	9,340,183	7,071,898	6,496,275
Average earning assets	164,028,097	115,653,469	104,378,946
Net interest margin (NIM)	0.06	0.06	0.06
Interest income	17,624,252	13,859,656	13,458,001
Average earning assets	164,028,097	115,653,469	104,378,946
Yield on earning assets	0.11	0.12	0.13
Interest expense	8,284,069	6,787,759	6,961,726
Liabilities involving interest expense	213,602,196	156,653,307	136,187,336
Costs of liabilities involving interest expense	0.04	0.04	0.05
Net profit after profit tax deduction	3,626,122	1,565,032	-663,583
Average weighted number of shares	31,074	31,074	23,340
Earnings per share (EPS)	116.69	50.36	-28.43
Spread	0.07	0.08	0.08

NOTICE TO INVESTOR

THE SUMMARY IS TO BE VIEWED AS THE PREAMBLE TO THE PROSPECTUS. THE INVESTOR'S DECISION ON INVESTMENTS IN THE OFFERED SECURITIES IS TO BE BASED ON THE WHOLE PROSPECTUS.

THE PARTY RESPONSIBLE FOR DEVELOPMENT OF THE SUMMARY BEARS CIVIL LIABILITY FOR INCOMPLETE OR MISLEADING INFORMATION (INCLUDING THE TRANSLATION) CONTAINED IN THE SUMMARY, WHERE THE LATTER IS INCOMPLETE AND MISLEADING FOR REVIEW OF THE REMAINING SECTIONS OF THE PROSPECTUS.

SECTION 2. INFORMATION ABOUT OFFERED BONDS

2.1 Risk Factors

The investment in bonds offered under the Prospectus implies certain risks. The potential investor prior to taking a decision on investments in the bonds has to be cautious and take into account the below stated risks and other information included in the Prospectus, as well as the own practices, goals, financial resources, risk appetite and expected income.

Any or some of the below listed risks can have an adverse impact on the market situation and cause the decline in the bond price or liquidity. As the result of the aforementioned the investor can lose the invested amount in whole or in part.

Risk assumption constitutes the integral part and the consequence of financial operations, and the investor has to take into account that investments in bonds involve certain risks that are related not only to the Issuer's financial status and business results (Issuer risk) but also to the situation in the financial market (market risk).

The potential investor has to understand that the below listed risks do not cover all risks that may ever emerge. The Issuer has revealed only those they have been aware of and have considered essential when developing the Prospectus. Presumably there might be additional risks, which the Issuer does not currently consider essential or which are not known at present, and any such risk can have the aforementioned effect and consequence.

When taking an investment decision, the investor has to thoroughly review the risks disclosed in this document and other information.

Furthermore, the investors have to consult with their lawyers to find out whether the investments in bonds is legally permitted, and how and in what form the bonds can be used as a subject of collateral for various borrowings.

Market Risk: Market risk is the probability of fluctuation of future cash flows or the real value of financial instruments due to market variables (such as interest rates and exchange rates). It may arise due to changes in the economic factors affecting the bond price. The Issuer's bond price and demand can change in the secondary market due to changes in economic indicators of the internal and external markets, which can cause the investor's loss. To mitigate the adverse impact of the particular risk on the Bank's financial results, the Risk Management Department has established the risk appetite amount and has developed market risk limits, and provides continuous control over their compliance. Market Risk includes interest rate, price, exchange and equity instrument price risks.

The basic market risks involve the interest rate risk and the exchange risk.

Interest Rate Risk: The volatility of interest rates in the Armenian financial market may adversely affect the bond yield and the liquidity rates. Increase of interest rates in the market may also force the Issuer to revise (raise) the bond yield, which will in turn cause the decline or rise of price. In such situation, the investor will incur loss or will not earn the planned income upon the sale of bonds before maturity.

Exchange Risk: Exchange risk arises due to exchange fluctuations of the national currency and can adversely affect the investor's return on income, where the investor estimates the income with AMD. The particular risk may arise due to abrupt fluctuations of exchange rate and inadequate management of assets and liabilities expressed with foreign currency, thus causing loss. In particular, upon appreciation of the national currency, when converting the amounts earned from redemption of bonds with foreign currency, the income estimated in AMD can be less than the expected (negative).

Liquidity Risk: Liquidity risk may arise from abrupt change in the market situation or the impairment of the Bank's financial status. The Issuer has an action plan for securing the liquidity

of bonds (regular coupon payments, competitive yield, listing and permission to trade on regulated market, market maker contracts), nonetheless the Issuer cannot guarantee that the bonds can be sold in the secondary market at any point or at the preferable price. The bondholder may not sell the desired number of bonds at any point or may be forced to sell the bonds at a lower price, thus incurring loss.

Inflation Risk is the probability of loss arising from decline in assets or income due to the impairment of the domestic currency and consequently the abrupt growth of inflation. In other words, the future inflation will cause the decline in purchasing power of cash flows.

The investors have to assume that the actual income receivable by them can be smaller (at the rate of inflation) than the registered coupon yield offered by the Issuer due to inflationary pressures.

Reinvestment Risk: The investors purchasing bonds to be held to maturity have to assume the reinvestment risk; i.e. the risk of inability to reinvest the proceeds from regular coupon payments or the principal payment at least at the same rate of yield.

2.2 General Information

Purpose of Issuance: The Bank intends to expand and to diversify the base of potential depositors, to introduce the potential investors to the Bank's investment instruments on NASDAQ OMX Armenia OJSC trading floors, and to disseminate the information about the Bank's credit risk to the broadest range of investors possible. With issuance of bonds the Bank also aims to attract funds to be used for medium-term lending and to facilitate the efficient management of Liabilities on the balance sheet, and as well to attract more cost-saving funds, other things being equal. Issuance and placement of bonds also pursues the goal to reduce the financier's or a financial group's risk.

2.3 Details of Bonds

- A. Type and class of securities:** The bonds issued by Converse Bank CJSC are registered, dematerialized, coupon, medium-term. The issued bonds are non-convertible.
- B. Country:** The bonds will be issued on the territory of the Republic of Armenia based on the RA laws and bylaws. Any disputes and judicial processes will be regulated in compliance with the RA laws.
- C. Form of securities:** The issued bonds are dematerialized, and the Bond Register will be maintained by the Central Depository of Armenia (5B Mher Mkhrtchyan, 0010 Yerevan, Armenia), tel. (+374 10) 543 321, in compliance with the rules and regulations of the Central Depository of Armenia.
- D. Par value and quantity of securities:** The par value per issued and allocated bond is USD 100 (one hundred), EUR 100 (one hundred) and AMD 100,000 (one hundred thousand). The total par value of bonds amounts to USD 25,000,000 (twenty-five million), EUR 5,000,000 (five million) and AMD 3,000,000,000 (three billion). The total quantity of issued and allocated bonds is 250,000 (twenty-five hundred thousand) with USD, 50,000 (fifty thousand) with EUR and 30,000 (thirty thousand) with AMD. The value per tranche is to be determined by the Board. The quantity of bonds per tranche is to be determined based on the total value and par value per tranche.
- E. Currency of issue:** The bonds will be issued with USD, EUR and AMD.
- F. Details of bond classification:** Under the RA Law on Insolvency of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance

Companies, upon liquidation of the Issuer, the claims of creditors shall be satisfied in the following sequence.

Firstly, the well-grounded administration costs of bankruptcy commissioner required for exercising the powers reserved thereto under the law, including the payroll based on the proforma invoice approved by the CBA Board.

Secondly, the claims of creditors, who have extended a loan or an advance to the Bank or have opened a deposit or have credited cash to the account with the Bank after appointment as the bankruptcy commissioner, except in cases specified in the contracts effected between the creditor and the CBA.

Thirdly, the AMD bank deposits and balances on bank accounts of the RA and foreign citizens and stateless persons to the amount of up to AMD 10 M, and for FX deposits (accounts) – to the amount equivalent of AMD 5 M; furthermore, upon the claim over AMD 10 M (and for FX claim, the equivalent amount over AMD 5M), the claim of the particular person to the amount of AMD 10 M (and for FX claim, the equivalent of AMD 5 M) is satisfied in the third place, and the claim for the excess amount – in the fourth place.

Fourthly, other liabilities of the Bank, including the costs relating to compensations paid by the Deposit Guarantee Fund, except for the bank deposits and account balances to be settled in the second place.

Fifthly, the liabilities of the Bank to the state budget and community budgets, and other mandatory contributions under the RA laws.

Sixthly, the claims arising from subordinated debts.

Seventhly, the claims of the Bank shareholders.

The creditors/holders on the same line have equal rights for claim settlement.

The claims of creditors/holders of the Issuer's bonds on the same line are satisfied after the full settlement of claims of the preceding line. For the purpose of the RA Law on Guarantee of Remuneration of Bank Deposits of Physical Entities and the related bylaws, the funds attracted from individuals (including sole proprietors) with registered securities issued by the Bank are deemed a bank deposit, the compensation whereof is guaranteed under the same law, to the following amounts.

If the investor has only AMD bonds at the insolvent bank, the guaranteed fund is AMD 10 M.

If the investor has only FX bonds at the insolvent bank, the guaranteed fund is AMD 5 M.

If the investor has AMD and FX bonds at the insolvent bank, and the amount of AMD bonds is over AMD 5 M, then only the AMD bond amount is guaranteed at up to AMD 10 M.

If the investor has AMD and FX bonds at the insolvent bank, and the amount of AMD bonds is below AMD 5 M, then the AMD bond amount is guaranteed fully and the FX bond amount is guaranteed to the amount of difference between AMD 5 M and the redeemed AMD bonds.

All AMD deposits of the investor, including investments in bonds, are deemed a single deposit, except the unsecured deposits, and all FX deposits of the depositor/investor are deemed a single deposit, except the unsecured deposits.

When calculating the amount subject to guaranteed deposit, the AMD deposits are calculated in the first place, and the FX deposits – in the second place. An event of indemnity of guaranteed deposits shall be deemed the recognition of the bank insolvent under the RA Law on Insolvency of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance Companies, and the confirmation by the CBA Board of the bank's inability to return the deposits in due time based on the law and contracts, or the recognition of the bank bankrupt under the RA Law on Insolvency of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance Companies (hereinafter for all cases, the insolvent bank).

The bonds can be reclassified upon new issuance of securities, where the latter will be deemed priority, and only for the part not referring to the deposit guarantee fund.

G. Basic rights, responsibilities and limitations arising from securities

By virtue of acquisition of bonds, the bondholders obtain the following rights:

- Receive the bond coupon and the redemption sum in compliance with this Prospectus;
- Upon delay by the Bank of the bond coupons and/or the redemption sum, take the legally defined actions for satisfaction of claims arising from the ownership of bonds;
- Upon liquidation of the Bank judicially on the ground of delay of the bond coupons and/or their redemption sum (due to adjudication of bankruptcy), exercise the creditor rights legally reserved thereto. Under the RA Law on Insolvency of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance Companies, Article 31.2 (c), the claims of bondholders of the Bank are to be satisfied in the third place;
- Dispose of the bonds at own discretion at stock exchange in a legally defined order (if listed and permitted to trade); the investors have to take into account that the RA laws prohibit the OTC trade of corporate securities permitted to trade on regulated market, except in the following cases:
 - Deals concluded by the CBA implying the possible deals between the CBA and the professional financial market participants
 - Buyback or acquisition by Issuer of securities issued thereby
- Pledge the bonds in a legally defined order; and
- Exercise other rights under the law.

By virtue of acquisition of bonds, the bondholders undertake the following obligations:

- Open securities account with the Account Operator;
- Transfer the sums required for acquisition of bonds to the respective bank account on established terms and conditions, and perform any cash and noncash liability arising from acquisition and sale of bonds and other actions.

Under the RA Law on GUARANTEE OF REMUNERATION OF BANK DEPOSITS OF PHYSICAL ENTITIES, the investments of individuals (including sole proprietors) in the bonds issued by the Bank are guaranteed to the following amount:

- a) If the depositor has only AMD bank deposit at the insolvent bank, the guaranteed fund is AMD 10 M;
- b) If the depositor has only FX bank deposit at the insolvent bank, the guaranteed fund is AMD 5 M;
- c) If the depositor has AMD and FX bank deposits at the insolvent bank, and the amount of AMD bank deposit is over AMD 5 M, then only the AMD deposit is guaranteed at up to AMD 10 M;
- d) If the depositor has AMD and FX bank deposits at the insolvent bank, and the amount of AMD bank deposit is below AMD 5 M, then the AMD bank deposit is guaranteed fully and the FX bank deposit is guaranteed to the amount of difference between AMD 5 M and the redeemed AMD bank deposit.

No limitations for the bond issuance or the investors in bonds are established under the Bank Charter or the resolution on bond issuance, other than the minimum number of bonds to be purchased during the placement.

The minimum number of bonds to be acquired is determined by the Board, and the maximum number is restrained with the total quantity of issue.

H. Coupon interest rate and payment terms: The annual interest rate of coupon payable per tranche is to be determined by the Board of the Bank.

The persons (owners or nominees) registered on the bondholder/nominee registry at closing of the bondholder/nominee registry on the day preceding the day of calculation of bond coupons, are entitled to receive the coupons (interest amounts).

The bondholder/nominee registry will be closed at 18:00 of the day preceding the day of subsequent calculation of bond coupons; i.e. the bondholders/nominees registered after the stated hour will not be entitled to receive the coupon payable for the preceding coupon period (preceding half-year).

The Issuer takes from the Registrar an excerpt from the bondholder/nominee registry as of 18:00 of the day preceding calculation of coupons, based whereon pays the respective sums through noncash transfer onto the bank accounts of bondholders.

Based on the bondholder/nominee registry, on the day of coupon calculation (payment), the Issuer prepares a statement on parties (bondholders or nominees) entitled to receive coupon sums, including the details from transfer of coupon sums.

The sums for payment of USD and EUR bond coupons are calculated by rounding after the decimal point by 4 digit accuracy, based on the arithmetical rounding rules, and are paid with AMD. The coupon sums are paid to the nominees and/or bondholders by up to AMD 10 accuracy (the rounding is performed based on the arithmetical rounding rules, up to the closest whole decimal number). The arithmetical rounding rules assume the rounding method, whereby the whole number of a unit is not changed if the to-be rounded decimal unit is equal to 0-4, and is rounded up by 1 unit if the to-be rounded decimal unit is equal to 5-9.

In the absence or upon inaccuracy of bank account numbers in the bondholder/nominee registry, the Bank will transfer/block the sum on the account opened with the Bank for that purpose, and thereafter the Bank will put forth all reasonable efforts to identify the investor and transfer the sum thereto.

The Bank pays the coupon sum to the bondholders at the date of calculation (redemption) of coupon. Where the coupon calculation day is a non-business day, the payment day is deemed the first business day following the particular day. Irrespective of the currency of issue, the coupon payments are made with AMD. The USD and EUR bond coupons are calculated based on the average market exchange rate published by the CBA on the day preceding the coupon calculation.

No specifics are established for payments to nonresident persons.

The coupon payable for the bond is calculated with the periodicity established by the Board per issue, on the respective day of each n^{th} month following the starting day of placement.

The coupon payable for the bond is calculated by the following formula.

$$AI = FV \times \frac{C}{k} \times \frac{DCS}{DCC}$$

where

AI is the accumulated coupon income,

FV is the face value per bond,

C is the annual nominal interest rate of coupon,

k is the number of coupons payable annually, frequency (upon semiannual payment of coupons $k=2$),

DCS is the number of days between the starting date of coupon redemption/coupon accumulation preceding the day of the deal and the day of the deal, upon the respective conditionality [D2M2Y2-D1M1Y1],

DCC is the number of days in coupon cycle upon the respective conditionality [D3M3Y3-D1M1Y1],

D1M1Y1 is the date of coupon redemption/start of coupon accumulation preceding the date of the deal,

D2M2Y2 is the date of the deal,

D3M3Y3 is the date of coupon redemption/par value redemption succeeding the date of the deal.

The conditionality of calculation of days for the Issuer's bonds is deemed Actual/Actual.

- I. Maturity of securities:** The maturity of bonds is to be determined by the Board of the Bank for each tranche.

The bondholder/nominee registry is closed at 18:00 of the day preceding the redemption day; i.e. the bondholders/nominees registered before the closing of the registry will be entitled to receive the bond redemption sum.

The bond redemption sums are paid to the bondholders/nominees at the date of redemption; i.e. during the first business day following the closing of the bondholder/nominee registry. Where the redemption day is non business, the payment is effected on the first subsequent business day.

The Bank takes from the Registrar an excerpt from the bondholder registry as of 18:00 of the day preceding the redemption day, based whereon pays the respective sums (the par value of bonds) through transfer onto the bank accounts of bondholders. At the same time, the Bank issues an instruction to the Registrar to redeem the bonds in the quantity stated in the excerpt from the bondholder registry.

The Issuer pays the respective sums through noncash transfer onto the bank accounts stated in the bondholder/nominee registry. In the absence or upon inaccuracy of bank account numbers in the bondholder/nominee registry, the sum is returned to the investor in cash, at the Head Office of the Bank.

The redemption is made with USD for USD bonds, with EUR for EUR bonds and with AMD for AMD bonds.

Given the currency of par value of bonds and the necessity for possible intra-bank transfers relating to bond redemption (unless the investor's USD or EUR account is opened with the Issuer), the investors have to take into account the commissions to be paid thereby for intra-bank transfers of the redemption sums, therefore the investors will receive the redemption sums with deductions, based on the tariffs applied by the Bank or other intermediary banks (if any).

Early redemption of bonds is not planned.

- J. Annual yield of securities:** The annual yield of bonds is calculated by the formula under paragraph 2.4.3 below (page 33). In the formula, "y" stands for the annual yield. During flotation, the annual yield rate will be equal to the announced coupon yield. After the completion of primary distribution, the annual yield will be determined on the secondary market, based on the interest rates existing in the market at that point.
- K.** The Program Prospectus for Medium-term Coupon Bonds Issued by Converse Bank CJSC was approved under Converse Bank CJSC Board Resolution #6 at 18.01.2018. The decision on issuance and placement of bonds was taken based on Converse Bank CJSC Board Resolution #6 at 18.01.2018, whereby the below terms were established for issuance and placement of medium-term coupon bonds:
- Total value of issue: USD 25,000,000, EUR 5,000,000 and AMD 3,000,000,000;
 - Par value per bond: USD 100, EUR 100 and AMD 100,000;
 - Total quantity of issue: 250,000 with USD, 50,000 with EUR and 30,000 with AMD;
 - Issuance: with 3 or more tranches;

- Issuer: Converse Bank CJSC;
- Form of issue: Non-underwritten.

The Board resolution established that for each tranche the terms and conditions of coupon bond issuance, the starting and final dates of flotation of coupon bonds, the annual coupon yield, the value of each issue and the bond circulation period would be determined by the Board of Converse Bank CJSC.

- L. The bond issuance decision sets no limitations for free circulation of bonds other than the minimum number of bonds to be purchased by a single investor during the placement, if such decision is taken by the Board. Subject to permission of bonds for trading on regulated market, the OTC market deals are prohibited, except in cases specified in the CBA Board Resolution #331N at 27.11.2012.

- M. **Taxation of income from bonds:** The investor in bonds can earn income from:

- Interest on bonds,
- Capital gain.

The yield on bonds issued by the Bank is taxable for profit tax (for legal entities) and income tax (for individuals). The Armenia based organizations and nonresidents (companies incorporated in foreign countries, international organizations and their subsidiaries in Armenia) pay profit tax in Armenia. The taxable object for the latter is the taxable profit earned from the Armenian sources. The taxable profit is the positive difference between the taxpayer's gross income and the deductions made under the RA Law on Profit Tax. The profit tax amount is calculated against the taxable profit at the rate of 20%. The rate of the profit tax differs for nonresident organizations. Thus, if the nonresident earns passive income (interests, capital gain, etc.) from the Armenian sources, its tax agent has to charge profit tax at the rate of 10%.

The RA resident and nonresident individuals pay income tax in Armenia. Resident is deemed the individual, who in any 12-month period starting or ending in tax year has dwelled in Armenia for 183 days in total or longer, or whose center of vital interests is in Armenia. The taxable income is the positive difference between the taxpayer's gross income and the deductions under the RA Income Tax Law. The capital gain from bonds is not taxable, and the interests are recorded in the gross income and are taxed at 10%.

The taxation rules for the income from bonds and the income taxation rates are the same for nonresident individuals and are established under the RA laws.

The Bank acts as a tax agent for resident and nonresident individuals and nonresident legal entities.

NOTE: Though the Issuer, using their best efforts and knowledge, has presented the taxation practices applied in Armenia to the income received from securities, the Issuer herewith announces that the investors should not accept the information as a tax advice or take an investment decision based only on the information stated in this section. The Issuer does not guarantee that the tax regulations will be in line with the presented information or will be applied by the RA tax authorities adequately at the point of receipt and review of the Prospectus by the investor, and the Issuer recommends the investor use the services of a professional tax advisor in any case. The Issuer further announces that they disclaim all responsibility for any possible investor claims relating to application of tax laws and taxation schemes and/or for any financial claims due to the amendments thereto.

- N. Security of performance of obligations under the bonds is not planned, since the bonds are unsecured.

2.4 Terms and Conditions of Offer

2.4.1 Terms of Offer, Statistics of Offer

A. Total value of issue: The total par value of bonds issued by the Bank comprises USD 25,000,000, EUR 5,000,000 and AMD 3,000,000,000. The total number of issued and allocated bonds is 250,000 with USD, 50,000 with EUR and 30,000 with AMD.

B. Start and End of Offer: The starting date of issuance of each tranche is to be determined by the Board of the Bank.

The final terms and conditions for each issue of bonds are filed with the CBA and posted on the Bank's website www.conversebank.am at least 2 (two) days before publication of the IPO announcement.

The end date of issuance of each tranche is to be determined by the Board of the Bank.

The placement of the final tranche of bonds shall complete no later than within 1 year from approval of the Prospectus by the CBA.

The Bank does not intend any changes in the set dates.

The bond offer and placement can be postponed or cancelled on the grounds established under the RA Law on Securities Market, Article 21. Particularly:

1. Where during the placement the Bank files a supplement to the Prospectus relating to the essential change of information included in the Prospectus, or the occurrence of a new essential circumstance or fact, then at the Investor's request the Bank undertakes to revoke the acceptance given by the Investor and to return the funds received from the Investor based on the latter's order and the interest amount accrued for the days between the acquisition and the suspension dates, based on the coupon calculation formula (page 25). The request for buyback can be made within 5 business days from publication of the supplement to the Prospectus; and the buyback request is to be made to the Issuer in writing;
2. The Central Bank of Armenia can suspend the placement, where:
 - the requirements of the RA Law on Securities Market and other public offering regulations are violated,
 - the public offering terms established under the Prospectus are breached during the placement,
 - the Prospectus contains essential errors and misleading information, or an essential fact is omitted or misrepresented in the Prospectus

In such case the placement can be resumed with the permission of the Central Bank of Armenia after the correction of the discovered violations and omissions;

3. Unless the placement is continued within 1 business day from expiry of the suspension period, the Issuer has to stop the placement and return the Investors the funds received during the placement, within 10 business days from the expiry of the suspension period. Upon cancellation of placement, the amounts are returned to the Investors within 3 business days from cancellation of the placement, in noncash manner by transferring the sums to the bank accounts stated by the Investors in the bond buy orders. In the absence or inaccuracy of the bank account number, the sum is returned to the investor in cash at the Head Office of the Bank.

The Bank undertakes to publish the information about the suspension and resumption of placement, cancellation of placement and return of funds on its website www.conversebank.am.

C. Applying for Offered Bonds:

To acquire bonds, the investors have to complete in due form the respective buy orders (legal entities based on Annex 1, and individuals based on Annex 2) and file the latter with

the Bank, make the respective payment, whereby they will confirm the acceptance of the bond issuance terms.

The payment for bonds is made on the day of submission to the Bank of the buy order in due form, no later than at 16:30, through cash payment or transfer onto the special transit accounts opened with the Bank **#1930043129906501** (for USD bonds), **#1930043129823704** (for EUR bonds) and **#1930043123398600** (for AMD bonds). The amount payable for the bonds is calculated by the formula stated in paragraph 2.4.3 below (page 30), by multiplying the price per bond by the number of purchased bonds; furthermore, where the buy order was placed and the respective amount was paid by 16:30 of the particular day, the price of the bond is determined at the particular date. The amount of payment for the buy order placed and/or effected after 16:30 is determined at the price of the bond at the following business day.

The Bank shall publish the bond price of each issue throughout the placement on its website: www.conversebank.am.

The bond buy order is deemed duly submitted, if forwarded to the Bank by one of the below means of communication vs. the addressee's confirmation receipt, or by hand delivery. The Bank employee has to make a copy of the buy order, make an "Accepted by the Bank" statement, state the day/month/year/hour, put his/her signature on the copy and hand it over to the customer.

Issuer's contacts:

Address: 26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Armenia

Tel. (+374 10) 511-206, (+374 10) 511-247

Treasury, Dealing and Financial Markets Division

**Email: investment@conversebank.am,
dealingcentre@conversebank.am**

Or the bond buy order can be submitted by visiting any branch of the Bank. The list of branches is presented in Annex 5.

Any individual and/or legal entity wishing to acquire bonds can submit more than one buy orders.

The amounts credited to the special transit accounts opened with the Bank **#1930043129906501** (for USD bonds), **#1930043129823704** (for EUR bonds) and **#1930043123398600** (for AMD bonds) after the expiration of the flotation period are to be returned, and the respective buy orders cannot be performed irrespective of the dates of their delivery to and/or receipt by the Bank.

D. No option for reduction of the total value of issue is planned.

Based on the issuance procedure, certain buy orders can be performed partially, where the value stated in the order surpasses the outstanding issue at the date of submission of the buy order. In such case the buy order is satisfied to the amount of the outstanding value.

Upon partial satisfaction of the buy order, the Issuer transfers the refundable amount in noncash manner onto the investor's respective bank account within 3 (three) business days from the end of placement. In the absence or upon inaccuracy of the bank account number, the amount is returned to the investor in cash at the Head Office of the Bank.

E. Callback of order: The buy order submitted by the buyer and bearing the "Accepted by the Bank" statement cannot be called back.

The Bank returns the sums of the unsatisfied, called back orders (the payments against which have been effected before the "Accepted by the Bank" statement) to the buyers in 3 business days, by transferring the sums onto the buyer's respective accounts. In the absence or upon inaccuracy of the bank account number, the amount is returned to the investor in cash at the Head Office of the Bank.

The buy orders of investor having failed to effect the respective payment in the set period after submission of the buy order, are deemed invalid and cannot participate in the placement.

Apart from the aforementioned event, the investors cannot call back the buy orders after their delivery in due order, the receipt of the Bank's confirmation/notice on delivery and effecting of the respective payment.

- F. Maximum and Minimum Order:** The maximum number of acquired bonds is restrained with the total quantity of issue, and the minimum number of bonds is to be determined by the Board for each tranche.
- G. Payment vs. Securities:** The legal entities and/or individuals make payments for the bonds of the Issuer onto the special transit accounts opened with the Bank #1930043129906501 (for USD bonds), #1930043129823704 (for EUR bonds) and #1930043123398600 (for AMD bonds). Directly after the receipt of funds on the aforementioned account and the decision on full or partial satisfaction of the buy order, the Bank gives an instruction to its Registrar to transfer the respective number of bonds from the Issuer's issuance account and to credit to the securities account of the investor or their nominee.
- Following the notification by the Issuer about full or partial satisfaction of buy orders, the investors can obtain a statement on securities held thereby from the Custodian or the Account Operator servicing their securities account.
- Directly after the receipt of confirmation from the Registrar on transfer of bonds onto the DEPO account of the investor or their nominee, the Bank unblocks on the special transit accounts opened for issuance #1930043129906501 (for USD bonds), #1930043129823704 (for EUR bonds) and #1930043123398600 (for AMD bonds) the funds stated in the buy order.
- H. Publication of Placement Results:** The Issuer publishes the placement results based on the in legally defined order and timing. The Bank publishes the placement results on its website www.conversebank.am.
- I. Preemption right:** The placement of bonds will be performed in the sequence of submission of buy orders and payments vs. bonds. Priority will be given to the buy orders, the payments against which have been effected earlier onto the special transit accounts opened with the Bank #1930043129906501 (for USD bonds), #1930043129823704 (for EUR bonds) and #1930043123398600 (for AMD bonds).
- No parties enjoy preemption right for the issued bonds.

2.4.2 Issuance Plan

- A.** The offer will be directed to the RA resident and nonresident individuals and legal entities, including the qualified and institutional investors, and sole proprietors. The bond offer will be carried out on open sale principle, through the Head Office and branches of the Bank.
- B. Notification on satisfaction of buy orders:** The Issuer informs the Investors about the full or partial satisfaction or rejection of buy orders by the end of business day following the day of submission of the buy order. The Investor is notified about the decision on the buy order in the manner the Investor has submitted the buy order to the Bank. The Investor has to visit the particular branch of the Bank to get the information about the full or partial satisfaction or rejection of the buy order.

2.4.3 Offer Price

- A. The placement price of bond:** The placement price per bond is determined by the below formula.

$$DP = \frac{C}{f} \sum_{t=1}^N \frac{1}{\left(1 + \frac{y}{100 * f}\right)^{t-1+\tau}} + \frac{100}{\left(1 + \frac{y}{100 * f}\right)^{N-1+\tau}}$$

where

$$\tau = \frac{DSN}{DCC}$$

DP is the price of bond (is rounded after the decimal point by 4 digit accuracy, based on the arithmetical rounding rules),

DSN is the number of days left from the day of deal through the subsequent payment of coupon, upon respective conditionality

DCC is the number of days from the coupon payment day preceding the deal through the coupon payment succeeding the deal, upon respective conditionality

f is the number of coupons paid in 1 year, frequency

N is the number of coupon payments left at the point of calculation,

C is the annual coupon against 100 unit par value,

y is the yield to maturity.

The Bank shall publish the bond price of each issue throughout the placement on its website: www.conversebank.am.

Given the currency of the issued bonds, upon transfer from other bank(s) the funds needed for acquisition of bonds and generated from redemption of bonds and/or coupons, the investors have to incur the costs relating to the possible banking commissions.

The investors have also to open a USD (for acquisition of USD bonds), a EUR (for acquisition of EUR bonds) and an AMD account with any bank, and a securities account with any licensed Account Operator, and incur the related costs.

2.4.4 Placement

- A. Underwritten Issue:** No underwriters exist, and no underwriting agreement has been effected.
- B. Non-underwritten issue:** Converse Bank CJSC will allocate registered, coupon, dematerialized bonds issued thereby at a total value of USD 25,000,000, EUR 5,000,000 and AMD 30,000,000,000.
- C. Terms of placement:** The Issuer and the Allocator is the same legal entity – Converse Bank CJSC. The Issuer/Allocator has not effected any joint placement agreement with other allocators.
- D. Banks and custodians accepting payments:** The payments for the bonds are to be made onto the special transit account **#1930043129906501** (for USD bonds), **#1930043129823704** (for EUR bonds) and **#1930043123398600** (for AMD bonds) opened with the Converse Bank CJSC (26/1 Vazgen Sargysan, Republic Square, 0010 Yerevan, Armenia: tel. (+374 10) 511-206, (+374 10) 511-247). Where the investor acquires the bonds through a brokerage company, the payment details should be clarified with the particular brokerage company.

2.5 Admission to Trading and Organization of Trade

A. Subject to registration of the Prospectus with the CBA, the Bank has to apply to NASDAQ OMX Armenia OJSC to have the issued bonds listed and admitted to trading on the regulated market. The request for admission to trading can be denied. Unless the bonds are admitted to trading, the issuance of FX bonds will be deemed invalid in compliance with paragraph 2.4.1 above.

B. Markets: At this point the bonds submitted for registration by the Issuer under this Program Prospectus are not admitted to public trading on any market.

C. Details of Market Maker: The Issuer has not yet concluded a market maker agreement with any professional market participant.

Subject to listing and admission to trade of issued bonds on NASDAQ OMX Armenian OJSC regulated market, the Issuer shall effect a market maker agreement with any professional market participant.

The Issuer undertakes to inform the bondholders and nominee holders in reasonable timing after the effective date of the market maker agreement about the enforcement of the same.

D. Organizations Registering Bonds: The bondholders can register their rights and responsibilities with a duly licensed Account Operators through opening of the respective securities account. The ownership of bonds can be transferred in compliance with the RA laws and the internal rules of the custodian.

The Bondholder/Nominee Holder Register will be maintained by the Central Depository of Armenia (5B Mher Mkrtchyan, 0010 Yerevan, Armenia), tel. (+374 10) 543 321, in compliance with the rules and regulations of the Central Depository of Armenia.

2.6 Additional Information

1. Consultants: The Issuer has not used any third-party consulting services when developing this Prospectus.

2. Expert opinion and third-party information: The Issuer has not applied for any third-party expertise or consulting services, nor has used the latter's expert opinion in this Prospectus.

3. Auditor's opinion: Apart from the historical financial statements verified by independent auditors and presented herein, no data presented in this Program Prospectus has been verified by an independent auditor. The statements and the supporting auditor's opinions are presented in Annex 7 hereto.

4. Underwriters: The bonds are not underwritten, since the bonds are unsecured.

5. Issuer rating: On November 1, 2017, Converse Bank CJSC was rated by Moody's Investor Service, Inc. (see the below table).

Rating Tier	Ratings
Outlook	Stable
Bank deposits	B2 (long-term) NP (short-term)
Main credit rating	b2
Main credit rating (adjusted)	b2
Partner risk rating	B1(cr) (long-term) NP(cr) (short-term)

The issued bonds have not been rated.

SECTION 3. INFORMATION ABOUT THE BANK

3.1. External Auditors

In 2011-2014, the external auditor of the Bank was Grant Thornton Amyot: address 8/1 Vagharshyan, 0012 Yerevan, tel. (374 10) 26-09-64, fax (374 10) 26-09-61, website www.gta.am. Gagik Gyulbudaghyan is the director/shareholder of the company.

The General Shareholder Meeting of the Bank selected Grant Thornton CJSC as the external auditor of the Bank for 2012-2014. Ernst & Young CJSC was selected as the external auditor of the Bank for 2015 and 2016: address: Office 27, 1 North Avenue, 0001 Yerevan, Armenia; tel. (+374 10) 500-790, fax (+374 10) 500-706, website www.ey.com/am. Hakob Sargsyan is the general director of the company.

The goal of the audit is to obtain sufficient guarantees that the financial statements are free of essential inaccuracies.

No case of refusal from work, re-election or dismissal by the auditor of the Issuer has occurred within 3 years prior to the date of filing of the Prospectus.

3.2. Risk Factors

Issuer risk: The investment in bonds offered under this Prospectus implies certain risks. The potential investor prior to taking a decision on investments in the bonds has to be cautious and take into account the below stated risks and other information included in the Prospectus, as well as the own practices, goals, financial resources, risk appetite and expected income. Any or several risks can have an adverse effect on the Bank's status and cause the Bank's default on obligations or the decline in the bond price or liquidity in the market. As the result of the aforementioned, the investor may lose the invested amount in whole or in part.

Furthermore, the potential investor has to understand that the below listed risks do not cover all risks the Issuer may ever bear. The Issuer has revealed only those they consider essential. Presumably there might be additional risks, which the Issuer does not currently consider essential or which are not known at present, and any such risk can have the aforementioned effect and consequence.

Risk assumption constitutes the integral part and the consequence of financial operations, and the Bank is consistent in analysis, evaluation, acceptance and management of the level and the combination of risks. The Bank intends to achieve an adequate balance between the risks and benefits and to minimize the adverse impacts on the financial status of the Bank.

Converse Bank CJSC risk management process aims to support the management of the Bank to make decisions providing for efficient management of risks relating to the assets and liabilities of the Bank and the Bank's customers within the scope of complex risk reduction measures, risk limits and internal regulations; as well as provide for acceptable levels of profit, liquidity and solvency through prevention or minimization of loss due to potential risks. The risk management is based on the regulations, procedures, norms and limits approved by the managerial authority of the Bank. Risk identification, appraisal, control and monitoring at the Bank are provided on a regular and ongoing basis. Risk analysis is one of the components of strategic planning and evaluation of investment projects of the Bank. The Bank's risk management principles include:

1. Application of nonstandard risk management methods in crisis situations;
2. Periodic stress tests for improvement of financial stability;

3. Prevention of undesirable concentration of types of business transactions and assets in loan portfolio;
4. Diversification of assets and liabilities of the Bank;
5. Appropriate periodic monitoring of risks assumed by the Bank;
6. Centralized monitoring of banking risks; and
7. Uninterrupted communication between the RMD and other subdivisions.

Risk Management Structure: The CEO organizes and coordinates risk management at the Bank in compliance with the internal legal acts approved by the Board. The risk management is provided through clearly outlined and documented business processes, the respective internal regulations, and the appropriate limits established for all processes and transactions.

The Board: The Board is responsible for approval of general supervision of risk management, the risk management strategy and the risk management policy, and as well approval of other risk management related policies, based whereon the CEO arranges the risk management process taking into account the risk management limits and requirements of the internal legal acts of the Bank.

The Executive Management: The Executive Management provides for:

- Approval of complex measures for management of income, operational, strategic, credit rating and legal risks in crisis situations, based on the conclusion of the Board;
- Establishment of bans for certain deals;
- Establishment of limits for unsecured transactions in intra-bank market; and
- Establishment of internal norms for banking risk regulation and control.

The Executive Management is responsible for the assets and liabilities management and the overall financial system of the Bank. The Executive Management is also responsible for the liquidity risks of the Bank. The functions of the Assets and Liabilities Management Committee are reserved to the Executive Management.

Risk Management Department: The Risk Management Department performs the following functions:

- Development and introduction of effective risk management mechanisms and processes, and control over their introduction;
- Risk analysis of loans issued by the Bank and control over issuance of program loans;
- Monitoring of loans issued by the Bank, problem identification and reporting;
- Control over collateral evaluation and regular revaluation of collateral;
- Arrangement of insurance of assets owned by the Bank; and
- Management of nonperforming loan portfolio.

Internal Audit: The risk management process of the Bank undergoes annual audits by the Internal Audit, which verifies both the integrity and efficiency of regulations, and as well the compliance of the Bank's operations with the regulations. The Internal Audit discusses the audit findings with the management and submits its conclusions and recommendations to the Board.

Banking risks: Banking is exposed to a variety of financial risks. The major risks include the credit risk, the market risk, the liquidity risk, the inflation or purchasing power risk and the operational risk.

Strengthened competition due to market concentration: The banking industry is exposed to strong competition, which can have an adverse effect on the Issuer's business and financial results. At the point of development of the Prospectus, several banks were compatible with the Issuer, which further strengthened the competition in the banking sector. However, the Issuer is actively involved in all processes and secures its stable position in the industry.

Geopolitical Risk: The unfavorable changes in geopolitical, regional and in-country political situation may arise negative factors that can affect adversely on the general macroeconomic situation, which in turn can increase the share of nonperforming loans, add the provisioning costs and decrease the Bank's profit.

Regulatory Changes: The Issuer conducts business in one of the most regulated industries of the Armenian economy. The introduction of Basel 3 standards from 2018 may have a positive or a negative impact on the Bank's business and financial results.

Further details on risks relating to the offered bonds are specified below.

Credit Risk: Banking assumes credit risk relating to the borrower's default on obligations, due where to the Bank can incur loss. The credit risk is the major risk of the Bank, therefore the Bank keeps the same under its special control. The credit risk mainly arises from lending and investment activities attributable to the debt securities and other debt instruments in the assets portfolio of the Bank. Credit risk is also present in several off-balance items, such as debt commitments. Credit risk is managed in compliance with the Credit Policy and other internal regulations of the Bank.

The Risk Management Department conducts weekly monitoring of loan portfolio quality, estimates the loan portfolio dynamics based on historical series and makes portfolio quality analysis by facilities and branches, based whereon the qualitative indicators of the loan portfolio are projected. The Risk Management Department also conducts monitoring of various facilities based on approved procedures, and if required, monitoring of specific loans given the impairment of the borrower's creditworthiness. To reduce the credit risk, the loans issued by the Bank are also approved by the Risk Management Department, in compliance with the internal regulations.

As of December 31, 2016, the carrying amount of the Bank's financial assets to the best extent represents their maximum exposure to credit risk, without the collateral and other measures for improvement of the credit quality.

Risk concentrations: With regard to distribution of credit investments by facilities, the Herfindahl-Hirschman Index made 0.1024 in December 2017, which proves the moderate concentration of credit investments of the Bank.

Control over risk limits and policy of containment: The Bank manages credit risk concentrations by a single borrower or borrowers, and lending segment of the Bank. The Bank regulates the credit risk levels by establishing acceptable limits for a single borrower or borrowers, and lending segment of the Bank. Those risks are monitored monthly.

The credit risk amount for a single borrower, including the banks and financial organizations, is restricted with additional limits for balance sheet and off-balance sheet risks.

The credit risk is also managed by regularly analyzing the present and potential borrowers' paying capacity of principal and interests, and by revising the credit limits as needed.

Several measures of special control and containment are applied at the Bank.

Collateral: The Bank applies several measures to prevent credit risk. The most traditional approach is the pledge against the provided funds, which is also a generally accepted practice. The Bank adopts rules for acceptable types of pledge or reduction of risk. The basic types of security for loans and borrowings include:

- Real estate pledged under mortgage agreements,
- Operating asset of companies – buildings, inventory and machinery,
- Gold and cash.

The long-term financing and lending of legal entities are generally secured. The revolving credit lines of individuals are usually unsecured. In addition, to minimize the credit losses, upon appearance of impairment features for specific loans and borrowings, the Bank requires additional collateral from the borrower. The type of security for financial assets other than

loans and borrowings is determined based on the essence of the instrument. Collateral is generally not required for loans and borrowings issued to banks. Exceptions make the pledge that has been acquired from repurchase agreements and securities lending. The bonds and other debt securities are normally unsecured.

The below table illustrates the gross loan portfolio analysis by security.

	<i>As of 31/12/2017: AMD thousand (unaudited)</i>	<i>As of 31/12/2016: AMD thousand (unaudited)</i>
Real estate-based loans	82,040,110	58,061,771
Gold-based loans	15,950,465	13,485,219
Loans backed with company guarantees	6,383,684	5,895,609
Car-based loans	2,320,430	1,977,955
Cash-covered loans	34,978,334	27,221,417
Loans backed with inventory	676,734	896,863
Loans backed with equipment	3,300,657	1,485,529
Other securities	5,541,894	4,513,789
Other collateral	7,231,871	5,155,737
Unsecured loans	11,606,672	7,885,131
(Total gross loans and borrowings)	170,030,851	123,579,020

The above listed values are the book values of loans, and do not necessarily reflect the real value of collateral. The estimated market value of collateral is based on the evaluation of collateral at the date of issuance of loans. In general, they are not updated until the estimation of loans as individually impaired.

The real value of collateral for individually impaired loans total AMD 7,808,184 K as of December 31, 2017.

Contingent liabilities relating to loans: The basic purpose of these instruments is provision of funds to customers if needed. The guarantees and letters of credit are exposed to the same credit risk as the loans. Commodity and documentary letters of credit are the Bank's written confirmation on behalf of the customers that do not allow a fourth party to receive sums from the Bank to meet special conditions, they are secured with the delivery of the related goods and, accordingly are more secure than the directly issued loans.

The contingent liabilities for loans imply the unused amounts of credit lines. In such case, the potential losses the Bank may incur are equal to the unused amount of credit lines.

However the actual amount of potential loss is smaller than the total amount of unused credit lines, since the credit liabilities are provided by borrowers against meeting certain standards of lending. The Bank follows the terms of repayment of liabilities, as far as the long-term liabilities involve a higher credit risk as opposed to the short-term liabilities.

Impairment and provisioning policies: The basic factors of evaluation of impairment include: whether the interest and principal installments are overdue, or whether any cases of partners' financial problems, impairment of their credit rating or breach of initial contractual terms by the latter are known. The Bank assesses the loan impairment based on the analysis of future cash flows of impaired loans and the past practices of losses from loans with no features of impairment, by applying a conservative approach.

Individually assessed reserves: The Bank defines the urgency of generation of each individually essential loan reserve. The below consequence are taken into account when estimating the amount of reserve:

- Sustainability of the partner's business plan,
- Their ability to improve business results in spite of financial challenges,
- Expected amounts receivable and dividends payable upon bankruptcy,
- Ability to raise financial assistance,
- Liquid value of security, and expected timing of cash funds.

The impairment losses are assessed at each reporting date or more frequently, where the unforeseen situation requires a larger focus.

Reserves estimated on banking grounds: The reserves against loans deemed individually unessential (including credit cards, mortgage loans and unsecured consumer loans), and as well against the loans individually essential but lacking objective features of individually impaired are estimated on banking grounds. The reserves are assessed at each reporting date, and each loan portfolio is tested separately.

Upon assessment on banking grounds, the impairment of the portfolio is determined, which can occur even in the absence of objective features of individual impairment. The impairment losses are defined based on the following information: past-time portfolio losses, current economic conditions, approximate period starting from the potential loss date through the point when the necessity for creation of individually estimated impairment reserve is confirmed, as well as amounts receivable and recovery of value after impairment of asset.

Non impaired, non overdue loans and borrowings: The below table illustrates the quality of loans and borrowings by classes.

As of December 31, 2017 AMD ,000	Non overdue and non impaired			Overdue		Total
	High rating	Standard rating	Low rating	But not individually impaired	Individually impaired	
Loans and borrowings to customers	34,978,334	126,653,387		1,145,174	7,253,956	37170,030,851

Overdue, but not individually impaired loans: The analysis of the overdue but not individually impaired loans and borrowings is illustrated in the below table.

As of 31/12/2017: AMD ,000 (audited)					
	Up to 30 days	31-60 days	61-90 days	Above 90 days	Total
Loans and borrowings to customers					
Industry	0	10,016	5,296	14,672	29,984
Agriculture	186	2,637	4,788	26,842	34,454
Construction	909	0	0	0	909
Trade	0	0	14,196	14,923	29,119
Transport and communications	0	0	0	12,014	12,014
Consumer loans to individuals	194,988	133,290	71,080	308,747	708,105
Mortgage loans	42,914	66,224	17,632	199,623	326,394
Services	0	0	0	0	0
Other	0	0	0	4,195	4,195
Total	238,997	212,167	112,992	581,016	1,145,174

At the same time the specific features of the Bank's credit risk are as follows:

Loan reserve / Total loans = 2.86%

Nonperforming loans / Total loans = 4.94%

Loan reserve / Total capital = 13.51%

Earnings coverage ratio (net operating income + provisioning costs) / Net loss from loans = 254.1%

Market risk is the probability of fluctuation of future cash flows or the real value of financial instruments due to market variables such as interest rates and exchange rates, or is the probability of loss due to fluctuations of interest rates, securities prices and/or exchange rates. The Bank differentiates the market risks into corporate and non corporate portfolios. The

market risk of corporate portfolio is managed and controlled by VaR method, which reflects the dependence between risk variables. The non corporate portfolio is managed and controlled through sensitivity analysis.

Interest rate risk arises from the probability that the volatility of interest rates may directly affect the cash flows relating to the Bank's financial instruments and their real value.

The Bank has selected the Interest-Sensitive Gap and Duration models for management of interest rate risk. The Board has established the risk appetite for interest rate risk, which is estimated and monitored on a monthly basis.

Exchange risk is the risk of fluctuation of the value of financial instruments due to changes in the exchange rates.

The Bank assesses the exchange risk by applying VaR (Value At Risk) and nonparametric VaR models. The exchange rates are monitored daily, based whereon at the end of the month projections of exchange rates are made for the upcoming month. The Bank manages its FX position daily, in compliance with the internal regulations of the Bank. In addition, daily stress tests are applied to assess the loss from adverse fluctuations of exchange rate in open positions and the level of flexibility of assets and liabilities.

Liquidity risk is related to the capacity of the Bank for timely repayment of financial liabilities in normal and stress situations.

The Bank minimizes the particular risk through management of assets and liabilities; i.e. daily monitoring of future cash flows and liquidity and ensuring of various financial sources in addition to the existing main deposit base.

The Bank holds a portfolio of high liquid and decentralized assets, which can be easily encashed upon unforeseen interruption of cash flows. Furthermore, the Bank holds reserves with the CBA at the rate of 2% of its AMD liabilities and 18% of its FX liabilities. The liquidity position is assessed and managed in various scenarios taking into account the stress factors relating to the market in general and to the Bank in particular.

The liquidity management requires to take into account such level of liquid assets that is necessary to repay the respective liabilities, to ensure the availability of various financial sources and the existence of an emergency financing plan, and to control the quick ratio norms in compliance with the internal regulations. The Bank estimates the liquidity ratios based on the requirements of the CBA. As of 31.12.2017, the liquidity ratios were:

Liquidity Ratios	31/12/2017, %	2016, %
N21 – Total liquidity (quick assets/total assets)	35.26	39.01
N22 – Current liquidity (quick assets/demand liabilities)	102.49	116.23

Operational risk is the probability of loss or direct loss arising from inadequate or inaccurate internal processes, human error, systems and external environment, which can have an adverse effect on the equity and profit of the Bank.

The supreme operational risk management authority is the Executive Management of the Bank, which is in charge of control over operational risks.

The purpose of operational risk management is to prevent financial loss and impairment of reputation of the Bank, by balancing against cost efficiency.

The operational risk management is provided through clearly outlined and documented business processes, the respective internal regulations, the appropriate limits established for all processes and transactions, and on the double check principle for any deal concluded by the Bank.

The more actual types of operational risk management are presented below.

Legal risk: All standard agreement templates are drafted by the Legal Division jointly with the respective subdivision and approved by the Executive Management.

The nonstandard agreements regulating the relationship between the Bank and the fourth parties can be applied only in the presence of the respective conclusion of the Legal Department.

IT related risks are managed in compliance with the internal regulations of the Bank.

The risk prevention mechanisms include:

- Regulation of all business processes through internal legal acts,
- Physical protection of assets and essential documents (including legal agreements) of the Bank,
- Establishment and maintenance of limits,
- Joint protection of assets and records,
- Application and archiving of logs,
- Application of 4-eye principle in processes.

Internal Audit regularly assesses the efficiency of the internal control system and its compliance with the risks, and provides control over the Bank's operations and risks.

The Bank's compliance with standards is accompanied with periodic internal audits. The internal audit findings are discussed with the concerned managers, and the results are presented to the Board.

Risk probability by specific risks

Credit risk probability

- a) Based on the Bank's policy the credit risk is adapted to the reasonable and internationally accepted level and is in line with the growth and financial result potential of the Bank. Under the credit policy, the accepted level is limited to 5% nonperforming loans, which is actually several times smaller than the pre-determined level.
- b) Based on the external factors the credit risk depends on the Armenian and to a certain extent global economic developments. However, the limitations set under the Bank's credit policy and other internal regulations (such as customer's credit capacity, loan-to-value ratios and compulsory insurance) allow to conclude about the Bank's high potential to resist the credit risk. The probability of impairment beyond the 5% ratio of nonperforming loans is estimated low for the upcoming 2-3 years.

Investment activity and investment risk probability

The investment portfolio of the Bank mainly consists of the RA government bonds. The investments in securities held for commercial purposes and available for sale are limited and in the recent 3 years have not made an essential weight in the balance sheet of the Bank (up to 10.68% of assets).

The risks arising from global markets have not had a significant impact on the general financial result of the Bank. The investments in securities have been made mostly for the sufficient level of liquidity reserve, at the same time providing for an efficient management of quick assets. Neither revisions of the particular policy nor impairments in the RA government securities market are expected in the close future, therefore the risk expectations in this area are close to zero.

3.3. Information about the Bank

The full firm name of the Bank is:

in Armenian «Կոնվերս Բանկ» փակ բաժնետիրական ընկերություն

in Russian закрытое акционерное общество “Конверс Банк”

in English “Converse Bank” closed joint-stock company.

The short firm name of the Bank is:

in Armenian «Կոնվերս Բանկ» ՓԲԸ

in Russian ЗАО “Конверс Банк”

in English “Converse Bank” CJSC.

Organizational/legal form of the Bank: closed joint stock company (registered on 20.12.1993).

The Bank has conducted business in the RA banking market for over 20 years.

The Bank was registered with the Central Bank of Armenia in December 1993, and is the legal successor of North-Armenian joint stock bank.

The Bank was reorganized into Converse Bank closed joint stock company in 1997.

Converse Bank closed joint stock company was registered at 26/1, Vazgen Sargsyan, Republic Square, Yerevan, Armenia; and the Central Bank of Armenia (the CBA) was the registering authority.

The founder and the major shareholder of the Bank is Advanced Global Investments LLC.

The trade name of the Bank is protected under the RA normative acts and are registered with the RA Patent Office (Trade Name Registration Resolution at 03.06.1999, registration #107913).

The logo of the Bank is:



The Bank obtained Banking License #57 on 20.12.1993, and amendments were made to the license on 21.02.1995, 20.05.1996, 31.12.1996, 23.05.1997 and 13.11.2001.

Registered business address of the Bank is:

26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Armenia.

State Registration number is 57.

The Head Office is located at:

26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Armenia.

Contacts:

Tel. (+374 10) 511-200, (+374 10) 511-211

Fax: (+374 10) 511-212

Email: post@conversebank.am

Website: www.conversebank.am

Country of incorporation: Republic of Armenia

Branches: The list and locations of branches are presented in Annex 5.

Information about Financial and Other Groups

The Bank has no membership to any financial and other groups and unions.

Share capital

To date Converse Bank CJSC has issued and allocated 54,722 (fifty-four thousand seven hundred and twenty-two) ordinary shares, each at AMD 300,000 (three hundred thousand) par value, and 333 (three hundred and thirty-three) convertible preference shares, each at AMD 100 (one hundred) par value, which generate the share capital of the Bank.

The Bank's share capital consists of ordinary and preference shares: shareholders of the Bank are: Advanced Global Investments LLC – ordinary shares 80.94% and 333 preference shares, Haypost Trust Management B.V. – ordinary shares 14.06%, and Armenian Apostolic Church, represented by Mother See of Holy Etchmiadzin – ordinary shares 5%.

For questions relating to investments in bonds, please contact the respective specialists of the Treasury, Dealing and Financial Markets Division of Financial Department of the Bank: (+374 10) 511-206, 511-247.

3.4. Business Profile

Main business and key markets

The main business of the Bank is lending and accepting of deposits, opening and servicing of bank accounts, issuance and servicing of payment cards of local and international payment systems, offering of clearing/settlement services including in-country and cross-border transfers (also through fast transfer systems), internet banking, and offering of other banking services to individuals and businesses.

The below listed types and/or subtypes of transactions and services take a considerable share in the Bank's business.

1. Being oriented as a retail bank and prioritizing the expansion of services to individuals, and based on the actual results of the past years, the Bank views the mortgage loan segment as an essential business area.

The Bank takes the 2nd place in the Armenian mortgage loan market and intends to become the leader in the Armenian banking sector by the mortgage loan volume as the result of improved efficiency of lending technologies and terms.

Through mortgage loans the Bank establishes long-term business results with customer having sustainable income by cross-selling other services; at the same time the mortgage loans activate the real estate market and ultimately the economy, subsequently adding the number of registered titles of ownership due to sales in the real estate market.

2. The intensification of specific industries in the real sector of economy will lead to the growth of demand in SME loans, consequently to the growth of lending volumes of the Bank. In 2018, similar to 2017, the Bank will carry on the SME financing campaign.
3. Numerous card promotion actions, extension of service list, issuance of payment cards on preferential terms to target groups and the recorded results serve a ground to view the segment of payment cards as an essential business direction for the Bank in 2018 and the following years. The Bank intends to increase the number of payment cards in 2018 (the Bank plans 20% growth of business cards in 2018) and simultaneously enhance the Bank's positions in the Armenian banking industry.

Target segments of financial services market by industries and regions are:

- Among industries: a) food processing and energy, b) trade, c) construction and agriculture, d) transport and communication, and e) consumer loans,
- Issuance of bonds by the Bank,
- Securities market – RA government and corporate securities primary and secondary markets,
- Among RA regions – Yerevan, Lori, Shirak, Kotayk, Armavir, Ararat, Gegharkunik, Tavush, Aragatsotn, Syunik marzes, Artsakh; new targets are other large and medium cities of the regions,
- The Bank plans to afford new opportunities for the Bank's cardholders in Georgia. At the same time the Bank intends implementation of special projects for its cardholders in Moscow. The Bank prioritizes cooperation opportunities in Georgia and Russia and surveys the feasibility and methods for the Bank's brand recognition and attraction of new customers in the particular counties,
- The main geography of transfers includes Russia, Ukraine, the USA, Europe, etc,
- The RA Forex and securities markets.

Key customer groups by regions, residence and legal status are:

The Bank will continue offering services to businesses and population of Armenia and NKR by applying modern technologies, specifically ATM's, payment terminals, remote systems (internet-banking, mobile-banking, SMS-banking).

The range of services offered by the Bank to residents and nonresidents include:

- Resident customers: a) for individuals – time and demand deposits, cash payment/settlement services, installment, consumer and mortgage loans, payment cards, online systems, FX transactions and money transfers; b) for legal entities and sole proprietors – demand and time deposits, cash payment/settlement services, lending, payroll cards, online systems, FX transactions and money transfers;
 - Nonresident customers: for individual and legal entities – demand and time deposits, cash payment/settlement services, payroll cards, online systems and FX transactions.
4. Investment activities;
 5. Remote banking services;
 6. Payment/settlement services; and
 7. Issuance and servicing of payment cards of local and international payment systems continuously improving the safety of card transaction.

Characteristics of funds allocated by the Bank in recent years.

Direction of allocation	31/12/17 (unaudited)		31/12/16 (audited)		31/12/15 (audited)	
	amount (AMD ,000)	average %	amount (AMD ,000)	average %	amount (AMD ,000)	average %
Loans, including	170,030,851	10.86%	123,579,020	11.74%	86,970,958	13.6%
- business	97,844,810	9.13%	71,198,846	9.45%	36,629,585	11.62%
- consumer	42,841,633	15.15%	31,088,469	17.59%	27,517,505	18.27%
- mortgage	28,612,851	10.36%	20,706,198	11.15%	20,492,115	12.09%
- auto	300,393	11.82%	339,898	15.25%	542,277	15.09%
- other	431,164	11.29%	245,609	14.22%	1,789,476	18.7%
With banks and other financial institutions	10,546,355	4.6%	2,320,882	0%	9,148,697	7.74%
In RA government securities	22,707,948	8.96%	13,273,481	9.24%	3,772,238	8.06%

Characteristics of funds attracted by the Bank in recent years.

Direction of attraction	31/12/17 (unaudited)		31/12/16 (audited)		31/12/15 (audited)	
	amount (AMD ,000)	average %	amount (AMD ,000)	average %	amount (AMD ,000)	average %
Deposits, including:	173,914,157	4.21%	139,680,217	4.70%	111,430,135	4.25%
- time	96,545,265	6.30%	85,227,331	7.20%	60,299,954	7.10%
- demand	77,368,892	0.91%	54,452,886	0.78%	51,130,181	0.88%
From banks and other financial institutions	27,832,817	5.50%	9,374,272	8.46%	17,326,492	8.94%

The Bank offers clearing/settlement and other banking services to the customers, the indicators and dynamics thereof are illustrated below.

	As of 31/12/17	As of 31/12/16	As of 31/12/15
Number of corporate accountholders	7,672	6,556	5,290
Number of individual accountholders	117,701	108,096	90,215

Number of current accounts	305,976	257,772	225,445
Number of time deposits	11,320	10,349	7,438
Outgoing transfers by legal entities (AMD million)	176,565	133,785	154,742
Incoming transfers for legal entities (AMD million)	151,579	108,020	167,240
Outgoing transfers by individuals (SWIFT, Western Union, Migom, etc.) (AMD million)	39,823	22,774	19,886
Incoming transfers for individuals (SWIFT, Western Union, Migom, etc.) (AMD million)	76,618	59,119	63,537

Types and/or sub-types of transactions and services constituting the major portion of the Bank's business

The main business areas of the Bank will be:

1. Issuance of gold-, car- and real estate-based loans and credit cards,
2. Grouping and targeting of customers by offering special terms for credit facilities to each group,
3. Due to streamlined installment lending processes, increase of financing volumes and cooperation,
4. Expansion of range of remote banking services,
5. Growth of SME finance in corporate loan portfolio to promote SME businesses,
6. Expansion of investment activities,
7. Development of financial instruments system,
8. Issuance and servicing of local and international payment cards by continuously improving the security of card transactions.

The banks stepped into the year 2017 with stronger equity position due to the requirement of the 6-fold growth in minimum total capital, which was enforced in the beginning of the year and had a direct effect on the intensification of the commercial banking, at the same time causing the decrease of both loan and deposit interest rates. It is important to note that the complex changes in the Bank back in IVQ 2016 created solid grounds for the Bank in 2017 to ensure essential growth in all business segments notwithstanding the tough competition among the banks, which was also demonstrated in the Bank's advancement by 3-4 positions in the Armenian banking market by basic indicators. During the year, based on the Bank's semiannual business results, the Board took a decision to revise and plan more ambitious targets for II Q 2017, which has also been achieved successfully.

Given the main financial ratios based on the financial disclosures of the banks, we have to note that as opposed to 2016, the Bank recorded over 32% growth in assets, about 39% growth in credit investments and 22.1% growth in deposits. At the same time, notwithstanding the progressive growth rates in the loan portfolio, the net provisions declined by more than 26% vs. the past year. As the result, the Bank's net profit made above AMD 3.6 B vs. the past-year AMD 1.56 B.

Converse Bank CJSC is active in the Armenian banking industry. The majority of assets of the Armenian financial market are concentrated in the banking sector. The growth of banking assets made 8.5% (AMD 4,362 B) in 2017. The banking assets made AMD 3,457 B as of 31.12 2015, and AMD 4,019 B as of 31.12.2016.

In the recent 3 years Converse Bank's position among 20 banks is illustrated below, by specific directions.

Position by directions	2017 (unaudited)	2016 (audited)	2015 (audited)
Assets	6 th	9 th	8 th
Equity	10 th	12 th	12 th
Loans	6 th	9 th	9 th
Liabilities	6 th	9 th	8 th

Profitability ratios	2017	2016	2015
ROE	10.66%	5.84%	-2.97%
ROA	1.65%	0.94%	-0.44%

The share of Converse Bank CJSC in the RA banking industry is illustrated below.

AMD ,000					
		Assets	Credit investments	Liabilities	Total capital
As of 31/12/2017	Industry	4,362,083,404	2,638,603,699	3,661,060,561	701,022,842
	BANK	252,735,853	165,167,500	216,736,232	35,999,621
	%	5.79%	6.26%	5.92%	5.14%
As of 31/12/2016	Industry	4,019,621,599	2,528,952,222	3,359,196,520	660,425,139
	BANK	190,993,270	119,024,824	158,815,267	32,178,003
	%	4.75%	4.71%	4.73%	4.87%
As of 31/12/2015	Industry	3,456,694,821	2,139,296,981	2,917,677,034	539,017,788
	BANK	158,903,165	82,945,627	138,201,740	20,701,425
	%	4.85%	3.88%	4.74%	3.84%

Main competitors of the Bank

The competitors of the Bank are all commercial banks operating in Armenia, however given the main business directions and results of commercial banks we can state that the core competitors of Converse Bank CJSC are Ameriabank, Ardshinbank, VTB-Armenia Bank, Armbusinessbank, HSBC Bank Armenia, ACBA Credit Agricole Bank, Inecobank and Unibank.

Taking into account that the most important business directions of banks imply the attraction and allocation of funds, the below table illustrates the loans issued and deposits attracted by the core competitors of Converse Bank CJSC and their share in the overall banking industry as of December 31, 2017.

AMD ,000				
BANK	Deposits		Loans	
	Amount (AMD ,000)	Share (%)	Amount (AMD ,000)	Share (%)
Ameriabank	517,461,588	18.77%	471,432,220	17.87%
Ardshinbank	344,968,629	12.52%	392,527,712	14.88%
Armbusinessbank	401,210,484	14.56%	375,982,733	14.25%
VTB-Armenia Bank	152,178,534	5.52%	134,805,785	5.11%
HSBC Bank Armenia	158,579,491	5.75%	95,431,247	3.62%
ACBA Credit Agricole Bank	172,604,177	6.26%	184,618,746	7.00%
Converse Bank	179,768,553	6.52%	165,167,500	6.26%
Inecobank	140,773,746	5.11%	173,066,076	6.56%
Unibank	143,423,699	5.20%	135,284,544	5.13%
Armeconombank	99,119,350	3.60%	104,216,554	3.95%

3.5 Structure of the Bank

The shareholders of the Bank are:

1. Advanced Global Investments LLC
2. Haypost Trust Management B.V.
3. Armenian Apostolic Church represented by Mother See of Holy Etchmiadzin.

Advanced Global Investments LLC is also 100% shareholder of Post Finance International B.V., and the latter is 100% shareholder of Haypost Trust Management B.V.

Converse Bank CJSC holds a significant equity interest in Converse Collection LLC (49 Komitas, Yerevan) and is 100% shareholder of the latter.

Converse Collection LLC, in the capacity of the subsidiary of Converse Bank CJSC, holds no significant equity interest in any other company.

3.6 Recent Development Trends

The mission of the Bank is to become the first choice bank in Armenia.

The vision of the Bank is to meet the financial needs of our customers and assist them to achieve financial success by offering quality and accessible banking services within the Bank's service network and as well by all available methods of remote banking.

The Bank has adopted the below values when offering services to customers:

- Accessibility
- Affordability
- Novelty
- Awareness
- Support
- Care

The Bank applies Corporate Values:

- Teamwork
- Responsibility
- Delegation of decision making powers
- Integrity
- Training and development
- Inspiration

The core strategic goals of the Bank include:

Based on the shareholder and customer trust and equilibrium between risk, equity and profit:

1. Double the amount of credit investments in 2017-2019 to achieve 27% annual growth of credit investments in average;
2. Turn into a leader by the amount of mortgage loans through improvement of lending process and terms by making the latter more affordable;
3. Achieve 10% market share in retail credit investments;
4. In the upcoming 3 years, increase payment card volumes by 2.2 times and secure 30% annual growth in average, thus enhancing the position among top 3 banks. Along with the expansion of payment cards, the Bank plans implementation of various loyalty projects for the Bank cardholders, including improvement of discount schemes and opportunities inside and outside Armenia;
5. In the upcoming 3 years achieve growth of noninterest income of the Bank in excess of the average growth of noninterest income in the banking sector;
6. Cooperate with international financial organizations to attract long-term funds;

7. Within the scope of Corporate Social Responsibility Policy of the Bank, implement target industry projects, and issue energy-efficient and GREEN loans;
8. One of the priorities of the Bank is the expansion of cooperation with refinancing organizations to increase the amount of financing thereby;
9. Render high-class and quality services at the Bank and reduce the customer service duration;
10. Introduce quality control system to secure high quality banking services and business processes; and
11. Make investments in banking technologies to offer innovative services promoting application of digital banking technologies and offering of current and new banking services through Internet, cellular gadgets and as well the Bank's self-service machines, thus securing 24/7 customer service.

The goals of the Bank are mainly the same, however several goals have been adjusted due to the basic financial results actually achieved and measures taken by the Bank in 2017. In 2017, the lending terms continued to improve, whereby the credit facilities became more competitive. Simultaneously the loan decision-making process was revised, new collegial bodies were created and retail and corporate financing scoring schemes were introduced. Given the market position and the prioritization of retail and SME financing segments, and due to the full utilization of the lending potential, the planned lending targets are quite realistic.

The Bank has taken the 2nd place in the Armenian mortgage loan market and intends to become a leader due to improved efficiency of lending technologies and lending terms.

Further expansion of payment card turnover and preservation of leading positions are among the priorities, and the Bank plans to implement various co-branded actions with VISA and MasterCard payment systems, cardholder loyalty projects, improvement of discount scheme and extension of service list, such as VISA Direct (VPP) C2C transfers and the like.

The need for fund attraction strengthens along with the growing lending volumes, therefore the Bank intends to take explicit measures for attraction of long-term funds from and collaboration with international financial institutions.

The Bank will continue to focus on increase of noninterest income, simultaneously offering the customers new services and extending the list of existing services.

The Bank has adopted corporate social responsibility policy, whereby it encourages the use of ecologically sound materials by the borrowers for construction and renovation works, and as well the growth of share of green/energy-saving loans in the loan portfolio.

Due to expansion of cooperation with refinancing companies the Bank intends to increase the respective financing volumes under the latter's programs.

As a priority and prospective course for development of banking services, the Bank will focus on further development of remote banking, application of banking service options by methods affordable and convenient for customers, introduction and improvement of new internet banking and mobile banking instruments, introduction of a special model in the Bank's website for online application of certain types, and development and introduction of target products for the population of specific regions of Armenia.

The Bank places specific focus on high class and quality customer services and will organize regular trainings, and a special course of action will be designed including quality criteria and binding standards, and at the same time actions will be taken for automation of processes and streamlining of servicing duration.

Specific attention is paid to the improvement of customer service, and actions will be taken to enhance the efficiency of business processes, and the Bank will take all possible actions to automate the works, specifically to reduce the duration of processes and to prevent errors.

3.7 Profit Projection and Estimation

Based on the projections under the 2017-2019 Strategy Plan of Converse Bank CJSC, the net profit will make AMD 4,404,168.02 M in 2018. The expected earning rates are as follows:

- ROA: 1.7% for 2018, 1.78% for 2019,
- ROE: 12.73% for 2018, 14.42% for 2019.

Basic principles for profit projections: The Bank's profit forecasts were made based on general business projections of the Bank. The business projections were grounded on 2016-2018 forecasts and based on mathematical statistics and appraisal, whereby essential non regular, regular (seasonal, measure based) factors, tendencies and links were revealed in the dynamic series reviewed in prehistory, and were applied in the projections. The projections and expectations were designed based on a normal scenario (midpoint between best and worst scenarios).

When projecting the environment, including the macro-economic environment, the Bank was guided by:

- 2017-2022 Program of RA Government,
- External environment forecasts,
- RA banking industry development forecasts,
- CBA monetary policy measures, CBA information bulletins and other publications,
- Annual bulletins and publications of the RA National Statistics Service,
- RA Laws on 2016 State Budget of the Republic of Armenia,
- World Bank reports and IMF forecasts,
- 2018-2020 Medium-term State Expenditure Plan,
- Public disclosures of the Armenia-based banks,
- Various researches made by subdivisions and other internal analyses of the Bank,
- Other information.

To arrange the budgeting and strategic planning process at the Bank, the Board approved Converse Bank CJSC Strategic Planning Policy (QP 53-16) under its Resolution #49 at 16.03.2017, which established the processes of strategy planning, revisions, allowed deviations and in the presence of deviations – measures, control and performance assessment.

Impact of managerial authorities of the Bank on factors

The managerial authorities of the Bank are capable to exert influence on the business and the profit of the Bank through management of:

- Attracted and allocated funds by revising the amounts, structure of profit/loss,
- Payroll and training costs,
- Expenses needed for current operation of the Bank,
- Expenses for introduction of new and maintenance of existing IT systems,
- Tariffs for banking services,
- Income and loss relating to introduction of new products.

The managerial authorities of the Bank are incapable to exert influence on the following factors affecting the business and the profit of the Bank:

- Change of market interest rates for banking services subject to market factors,
- AMD exchange rate fluctuations,
- Change in inflation, economic activity or macroeconomic environment,
- Force majeure (emergency, war, natural disasters, government acts that make the regular business of the Bank impossible).

3.8 Managerial Authorities and Members of Managerial Authorities of the Bank

3.8.1 Organizational Structure and Rights and Responsibilities of Managerial Authorities

The organizational chart of the Bank is illustrated in Annex 3.

The following managerial authorities are established under the Charter of the Bank:

- General Shareholder Meeting (the Meeting),
- Board,
- Executive Authority: CEO and Executive Management.

The Meeting

The General Meeting (the Meeting) is the highest managing authority of the Bank. The Bank has to convene annual meetings each year within six months after the end of the financial year. Besides the Annual Meetings, for discussion of urgent issues are convened Extraordinary Meetings.

The authorizations of the Bank's Meeting are:

- a) approval of the Bank Charter as well as any amendments and addenda thereto,
- b) reorganization of the Bank,
- c) liquidation of the Bank,
- d) approval of consolidated, interim and liquidation balance sheet, appointment of the liquidation committee,
- e) approval of quantitative composition of the Bank Board, election of the Board members and establishment of their term of office /which cannot be less than one year/, as well as early termination of their authorities,
- f) determination of the maximum amount of the authorized shares,
- g) reduction of the amount of the Bank's Authorized Capital,
- h) approval of the Bank's external auditor upon recommendation of the Board,
- i) approval of the Bank's annual financial statement, distribution of profit and loss. Adoption of a resolution on payment of annual dividends and the amount of annual dividends,
- j) approval of procedure for conducting the Meeting,
- k) constitution of Counting Committee,
- l) consolidation and splitting of the share,
- m) establishment of remuneration of the Board members,
- n) resolution on waiver of preemption right in cases provided by the Law,
- o) other issues, stipulated by the Law.

The voting right is exercised at the Meeting by:

- a) owners of ordinary shares of the Bank,
- b) owners of preference shares of the Bank in compliance with the RA laws and the Charter (hereinafter referred to as the Voting Shares).

Resolutions at the Meeting are adopted by simple majority of votes of holders of the Voting Shares unless otherwise prescribed by the RA Laws and the Charter.

The following parties shall have a right to participate in the Meeting:

- a) holders of the Bank ordinary shares with the number of votes proportional to the number of shares owned by them,
- b) the holders of the preference shares of the Bank with the number of votes proportional to the number of shares and par value owned by them,
- c) non-shareholder members of the Board and executive body with the advisory vote,
- d) the members of the Bank Internal Audit as observers,

e) external audit of the Bank as an observer; (if the agenda of the convened Meeting includes review of the external audit report),

f) representatives of the Central Bank as observers.

The List of the Bank Shareholders entitled to participate in the Meeting shall be established in compliance with the RA Law on Banks and Banking.

The Bank notifies the Central Bank about the convocation of the Meeting of Shareholders at least 15 days prior to it.

The Shareholders are notified about the convocation of the Annual Meeting at least 10 days prior to the fixed date by registered mail or e-mail, registered letter or personally.

The Agenda of the Meeting is approved by the Board upon recommendation of separate shareholders.

The Meeting resolutions are adopted as a result of voting, and voting results on each issue included in the agenda are recorded in the Meeting minutes. The voting in the Meeting is performed in compliance with “one share – one vote” principle, except for election of Board members and in the cases, stipulated by the Republic of Armenia Legislation.

The Meeting is arranged by the Board Secretary (Secretariat) or another authorized Bank division or employee (hereinafter referred to as the Board Secretary).

The Meeting is valid, if by the end of registration of the Meeting participants have been registered Shareholders owning more than 50% of outstanding voting shares of the Bank (their representatives). In the absence of quorum a new Meeting is convened exactly 15 days later. No new list of the Meeting participants is made. The agenda is not amended.

The Meeting is presided by the Chairman of Board and in the latter’s absence by one of the Board members elected by the members of the Board (or voted by the participants of the Meeting).

The Meeting Minutes are drawn up by the Board Secretary. Minutes of the Meeting are drawn up within 5 working days from the end of the Meeting in at least 2 copies, which are signed by the Chairman and the Secretary of the Meeting.

The Meeting Chairman bears responsibility for the authenticity of information contained in the Meeting Minutes.

Copy of the Minutes or an Extract from it is provided to the Shareholders upon their request.

Apart from Annual Meetings, are also convened Extraordinary Meetings for discussion of urgent issues.

The Extraordinary Meeting is convened by the Board resolution on its own initiative or upon the request of the executive body, Bank audit or the Shareholder (Shareholders) owning at least 10% of the Bank shares on the date of the request. Besides the cases, when the Extraordinary Meeting is convened on the Board’s own initiative, in other cases it is convened within 45 days from the date such a request is made by an authorized person. The issues relating to the Extraordinary Meeting are resolved by the Board in compliance with the RA legal requirements.

The Extraordinary Meeting is convened by joint attendance of the Shareholders or by an absentee voting, unless otherwise is prescribed by the Law.

The absentee voting is taken by ballots.

During absentee voting the ballots are sent to the Shareholders electronically or by mail - by a registered letter, or are handed in person at least 10 days prior to the Meeting.

The ballots have to contain the following information:

- a. the Bank name,
- b. date, time and place of the Meeting,
- c. formulation of each issue put to the vote,
- d. voting options regarding each issue put to the vote: “aye”, “nay”, “abstain”,
- e. date, time and place the filled out ballots were received by the Bank,

- f. instructions that the ballots have to be signed by the Shareholder (authorized representative),
- g. clarification of the procedure on filling the ballot.

The ballots filled and signed by the Shareholders are sent to the Board Secretary electronically or by mail within 3 days after the Meeting has been convened– by registered letter or in person. The Board Secretary summarizes the ballot results and draws up the Meeting Minutes. The ballots are attached to the Minutes, sealed by the Board Secretary and handed over to records. The Meeting resolutions can be drawn up based on the Meeting Minutes in the form of separate resolutions, which are numbered mentioning the date the Meeting was convened. The Meeting resolutions are signed by the Meeting Chairman.

The Meeting resolutions are adopted by simple majority of owners of voting shares participating in the Meeting, except for cases, stipulated by the Law.

The Meeting Secretary keeps the originals of resolutions until their handing over to records in compliance with the procedure.

The Secretary or another authorized employee is responsible for control over observance of terms established under the Meeting resolution, their dissemination and informing process

Meeting Resolutions can be taken on such session when the Meeting participants can communicate via conference call or video call, or otherwise in real time regime.

The order of convocation and holding of the Meeting in such order has to be established by the resolution of the Bank Board.

The Board

The Bank Board shall carry out the general management of the Bank within the scope of authorities, entrusted hereto in compliance with the Law and the Charter. The Board of the Bank consists of 7 (seven) members. The members of the Board shall be elected at the Annual Meeting of the Bank, and in the case of early termination of a Board member's authorities – at an Extraordinary Meeting by the present members. Moreover, an Extraordinary Meeting has to make a decision on election of a new Board member simultaneously with resolving on premature termination of the Board member's authorities.

Candidates for Board members can be nominated by the Bank Shareholders as well as the Board (except for creation of the bank for the first time).

The Board Members are elected in compliance with the RA Law on Banks and Banking.

The Board is authorized to:

- a) determine core activities of the Bank, including approval of the Bank Strategic Development Plan;
- b) convene Annual and Extraordinary Meetings of the Bank, approve the agenda and also ensure arrangement and agenda of the meetings;
- c) appoint the CEO and members of Executive Management including the Chief Accountant and deputies to CEO, and prematurely terminate their authorities and approve the terms of their remuneration;
- d) establish the Bank's internal control standards, establish the Internal Audit Unit, approve its annual business plan, early terminate authorities of the internal audit and approve terms of their remuneration;
- e) approve the annual expenditure budget and performance of the Bank;
- f) approve the organizational structure of the Bank;
- g) increase the Bank's authorized fund;
- h) submit recommendations to the Meeting on payment of dividends which shall include making the list of the shareholders entitled to receive dividends at each dividend payment,

which shall enroll the members included in the register of the Bank's shareholders at the date of drawing up the member list entitled to take part in the Annual Meeting;

- i) preliminarily approve and submit to the Meeting the annual financial statements of the Bank;
- j) introduce the external auditor for the approval of the Meeting;
- k) determine the remuneration size of the external auditor of the Bank;
- l) recommend and control implementation of measures on remedy of defects detected as a result of auditing and other examinations carried out in the Bank;
- m) approve internal legal acts, establishing the order of financial operations of the bank in compliance with the Law;
- n) approve the Charters of the Bank's territorial and structural divisions, distribute the functional responsibilities among the Bank's structural divisions;
- o) submit issues stipulated by sub-points "b" and "m" of point 9.2.3. of the Charter to the discussion of the Meeting;
- p) adopt resolutions on allocation of bonds and other securities of the Bank;
- q) dispose the reserve and other funds of the Bank;
- r) establish branches, representative offices and institutions of the Bank;
- s) adopt the accounting policy of the Bank, including principles, grounds, modes, rules, forms and procedures of bookkeeping and financial reporting;
- t) establish subsidiary and affiliated companies;
- u) participate in subsidiary and affiliated companies;
- v) establish unions of commercial organizations;
- w) participate in unions of commercial organizations;
- x) determine the market value of the property;
- y) adopt other resolutions stipulated by the Law.

Based on the minimum requirements of the internal control, the Board, besides the abovementioned powers, also performs the powers in compliance the minimum requirements of internal supervision approved by the Central Bank of Armenia.

The Board Meeting shall be convened at least once in two months.

Chairman of the Board shall convene the Board meetings by his/her initiative, and upon the request of a member of the Board, the CEO, the Management Board, the Head of the Internal Audit Unit, the External Audit of the Bank, the Central Bank Board, as well as upon the written request of the shareholder (Shareholders) owning 5 or more percent of voting shares (stock) of the Bank.

The quorum of Board Meetings is deemed provided if at least 2/3 of the Board members are present at the Meeting. Each Board member may have one vote during the voting. The Board resolutions are adopted by simple majority of votes.

Discussion of all the board issues can be held only with the mandatory presence of the Bank CEO, except for issues on early termination of authorities of the CEO, as well as the terms of his remuneration. The CEO of the Bank participates in the Board meeting with the right of advisory vote.

The Chairman of Board presides at the Board meeting, and in case of his absence – one of the members, by the election of the Board members.:

The Chairman of Board represents the issues of the agenda one after another and invites an appropriate speaker in the line of each issue

After hearing the report regarding each issue, if necessary, the speaker provides explanations to the Board members' questions.

After discussions of the issue the Chairman of Board shall put the proposal(s), presented as a result of discussions to the vote so that the Board can make a decision regarding the issues under consideration.

The voting results of the Board are calculated and summarized by the Board Secretary. The voting results are declared at the particular Board meeting.

The Board meetings shall be recorded by the Board Secretary. The Board Minutes are drawn within 10 working days after it is over, which has to be signed by the Chairman, members and the Secretary of the Board. The Board Minutes are submitted to the Internal Audit Unit within at least 10 days after their signing.

The Board meetings can be convened in absentee order in compliance with the respective procedure, established by the Charter.

The Board meetings can be convened in absentee order in compliance with the respective procedure, established by the Charter.

The Board can make resolutions, when the Board members have the possibility of communication by the means of phone, telecommunication or otherwise in real time regime.

The order of convocation and holding of Board meetings in such order shall be established by resolution of the Board.

The Board of the Bank may establish committees in order to enhance activities of the Board. Committees shall consist of Board members and other officials and employees of the Bank. Decisions of Board Committees are of advisory character.

The Board is responsible for the regular and efficient activity of the Bank, safekeeping of the Bank's assets, presentation of true and accurate information to the Bank shareholders, the RA Central Bank and the society as well as for oversight of the Bank's executive body.

Both the Board and the Executive body are responsible for formation and introduction of code of ethics as well as code of conduct in the Bank.

Powers of the Chairman of the Bank's Board are established by the RA Law on Banks and Banking and the Board Statute.

The Executive Management

Current management of the Bank shall be carried out unilaterally by the Bank Executive Body- the CEO and the Executive Management of the Bank. The CEO shall also perform the powers of the Chairman of the Executive Management.

All the issues of management of the Bank's current activity are within the power of the CEO and the Executive Management, except for matters that, in compliance with the Charter, are within the exceptional power of the Meeting and the Board.

Appointment of the CEO and the members of the Executive Management, as well as early termination of their authorities, are carried out by the Board's resolution. The members of Executive Management are appointed and their authorities are early terminated based on the recommendation of the CEO.

The Executive Management operates in compliance with the RA Laws and the Charter, as well as the internal legal acts of the Bank, approved by the Board, which shall detail the terms and procedure of convocation and holding of Executive Management meetings, as well as the procedure of adoption of their resolutions.

The Executive Management meetings are convened as required on the initiative of the Chief Executive Officer or at least 2 (two) members of the Executive Management.

The sitting of the Executive Management is valid if at least 1/2 of the members of the Executive Management are present at the meeting. The resolutions are adopted by simple majority of votes. The Executive Management Chairman has a casting vote in case the voices are equal in number.

The rights and responsibilities of the Chief Executive Officer and the Executive Management members are established in compliance with the RA normative legal acts, and/or the contracts concluded between the Bank and each of the members. The Board Chairman or another person authorized by the Board signs contracts with the members of the Executive Management members on behalf of the Bank.

The Chief Executive Officer and members of the Executive Management can assume remunerative offices only with the approval of the Board.

The Executive Management is entitled to:

- a) Determine tariffs and rates, applied by the Bank;
- b) Approve the Bank's procedures and regulations drafted based on the policies and other legal acts as approved by the Board;
- c) Determine the commission fees for services provided by the Bank;
- d) Approve terms of services and banking instruments;
- e) Management of the Bank's Assets and Liabilities;
- f) Allocation of the Bank's bonds and other securities;
- g) Approval of internal discipline rules;
- h) Approval of job descriptions (official decrees);
- i) Approval of Bank's sample forms of contracts for public use;
- j) Solution of other issues relating the Bank's current activity not pertained to the office of the

The Chief Executive Officer of the Bank convenes and holds the meetings of the Executive Management, and is the Chairman of the Executive Management by virtue of his position. In the latter's absence, one of the members of the Executive Management, who substitutes the CEO, convenes and holds the meetings of the Executive Management.

The Executive Management Chairman presents the issues included in the agenda one after another and invites the relevant speaker in the line of each of the issues. After hearing the report regarding each issue, as required, the speaker provides explanations to the questions asked by the members of the Executive Management. After consideration of the issue, the Executive Management Chairman puts to the vote the proposals presented, so that the Executive Management can make a decision regarding hereto.

The voting results of the Executive Management are calculated and summarized by the Secretary. Results of the voting are declared at the particular meeting of the Executive Management.

The meetings of the Executive Management shall be recorded by the Secretary. The Executive Management Minutes are drawn within 5 working days after it is over and at least in 1 copy, which has to be signed by the Chairman, members and the secretary of the Executive Management.

The Minutes of the Meeting of the Executive Management are submitted to the Board, or the entity that conducts external audit of the Bank upon request of the latter as well as the Internal Audit Unit within at least 10 days after their signing.

The Chief Executive Officer is responsible for the authenticity of the information contained in the Minutes.

The Chief Executive Officer:

- a) manages the Bank's property, including financial assets, and concludes deals on behalf of the Bank, including issuance of bank guarantees;
- b) represents the Bank in the Republic of Armenia and abroad;
- c) issues powers-of-attorney;
- d) acts on behalf of the Bank without a power-of-attorney;
- e) concludes contracts in compliance with the determined order;

- f) submits to the Board's approval the charters of separate divisions of the Bank, and the candidates for deputies to Chief Executive Officer, the Bank directors and the Chief Accountant, the organizational chart of the Bank; as well as the internal legal acts approved by the Executive Management, except for those subject to the Management Board's approval;
- g) approves the workplaces of the Bank;
- h) issues orders, determines responsibilities of the employees, issues instructions subject to compulsory execution and controls over their execution within the limits of his powers;
- i) recruits and dismisses the Bank employees, concludes labor agreement in compliance with the established order, except for persons appointed by the Meeting and the Board;
- j) applies incentives and disciplinary actions towards the employees of the Bank;
- j.a.) establishes permanent and (or) current working committees,
- j.b.) draws up, signs and submits to the authorized state authority the reports, determined by the RA normative legal acts, including financial statements,
- j.c.) signs the minutes and resolutions of the Executive Management meetings;
- j.d.) opens bank accounts on behalf of the Bank;
- j.e.) shall compensate the damage, inflicted by him to the Bank upon the request of the Founders (Shareholders) of the Bank, unless otherwise prescribed by the Law and the labor contract, concluded with him;
- j.f.) shall act on the basis of the RA legal acts and the Charter;
- j.g.) is entitled to conclude transactions not exceeding 25% of the balance asset value on behalf of the Bank without the prior consent of the Meeting and/or the Board;
- j.h.) holds fulfillment of resolutions, adopted by the Meeting, Board and the Executive Management and is accountable to the Bank's Meeting, Board and the Executive Management, and has no right to adopt resolutions mandatory for the Meeting and the Board members;
- j.i.) exercises other powers not stipulated for the Board, the Meeting, the Internal Audit Unit under the Law or the Charter.
- k) may have deputies, advisors, whose authorities shall be established by the internal acts of the Bank;
- k.a.) issues an order on his replacement by one of his deputies/members of Executive Management appointed by the Board in case of his absence or impossibility to execute his job responsibilities;
- k.b.) shall make a decision on application of the special terms based on the Bank contracts;
- k.c.) executes the authorities of the Liquidation Committee prior to its establishment;
- k.d.) approves other internal legal acts not reserved to the powers of other managerial authorities of the Bank;
- k.c) performs other authorities as stipulated by the RA Legislation.

In addition to the aforementioned powers and based on the minimum requirements of the internal control, the Chief Executive Officer also performs the powers stipulated under minimum requirements of internal control approved by the RA Central Bank.

The Bank's CEO, the latter's deputies, the Chief Accountant and the Directors are included in the Executive Management of the Bank.

Artur Hakobyan

CEO, Chairman of Management Board

Arthur Hakobyan was born on June 24th, 1969 in Dilijan town of Tavush region of Armenia. In 1987-1989 he served in the armed forces of the USSR.

In 1990-1995 he studied at Yerevan State University at the Department of Economics where he received the qualification of Economist-Mathematician.

From June 1996 to January 2000 he worked at the Ministry of Finance of the RA, as well as at Restructured Ministries of Finance and Economy of the RA. He began his career in the Monetary Policy Department of the Ministry, holding the position of the leading specialist, and then became Deputy Head of the same Department, later Head of the Department. In 1998 he worked as Head of the State Participation Management Department, later Head of the General Department of Financial Programs.

From 2000 to 2014 he developed his career in the banking system.

From January 2000 to May 2002 he held the position of the Deputy Chief Executive Officer of Armsavingsbank and later - till August 2006 - the position of the Deputy Chief Executive Officer of Armeconombank.

From October 2006 he worked as Chief Executive Officer - Deputy Chairman of the Management Board of AraratBank, from 2009 to 2012 - as Chief Executive Officer - First Deputy Chairman of the Management Board of the same bank. From 2012 to April 2014 he worked as First Deputy of Chief Executive Officer - Chairman of the Management Board of Converse Bank.

In 2014-2016 he worked as Chief Executive Officer at "Dilijan International School Properties" and "Dilijan Development" Foundations and was also Head of Dilijan Development Project of "Armenia Development Initiatives" Foundation.

In 2014-2016 he studied at Moscow "Skolkovo" Management School and obtained the Master's degree in Business Administration (Executive MBA).

Married, has one daughter and two sons.

Davit Azatyan

Head of Accounting Division/Chief Accountant

Member of Executive Management

Born on January 1, 1981. In 1997-2001 studied at the State Polytechnic University of Armenia.

Started his career in 2003 as Specialist at Credit Operations Division of Credit and Investment Policy Department of Ardshinbank OJSC. Then, in 2003-2005, he worked as Specialist, then Chief Specialist at Internal Audit Department of Armsavingsbank CJSC.

In 2005-2011 he worked at Armeconombank OJSC, holding different positions: Leading Surveyor at Branch Supervision Division of Supervision Department, then as Leading Auditor and starting from 10.10.2006 - as Chief Auditor at Video Surveillance Division of Internal Audit Department. On 17.01.2011 he was appointed to the position of Head of Internal Audit Department at Armeconombank OJSC, and on 19.07.2011 - as Head of Accounting Department - Chief Accountant and member of the Management Board at Armeconombank OJSC.

In 2008-2013 he was a member of the Board of Sil Insurance CJSC.

Starting from August 21, 2017, he is the Head of Accounting Division - Chief Accountant at Converse Bank CJSC and member of the Bank's Executive Management.

Fluent in English, Russian and Armenian.

Married, has 2 children.

Gohar Harutyunyan

Operations, Services and IT Director

Member of Executive Management

Born on February 9, 1971. Graduate of Financial Accounting Department of Yerevan Communal Economics Institute. From 2006, attendee of ACCA Establishment (Association of Confirmed Certified Accountants).

From 1992-1999, she worked in the Accounting Board of "Ardshinbank" OJSC; in 1999, she was appointed Chief Accountant of the same bank's "Mashtots" branch. From 2003-2004, she served as the Accounting and Operations Department Supervisor of the Customer Service Board of "Ardshininvestbank" CJSC. From 2004-2005, she worked as the Customer Service Department Supervisor of "VTB Armenia" CJSC; consequently, she was appointed Deputy Board Supervisor of Risk Analysis and Planning as well as Department Supervisor of Budget Planning in the same bank. From December 1, 2005 to August 1, 2007, she worked as Chief Accountant in "Cascade Credit" CJSC; and from August 1, 2007, she was transferred to a member of the same group – "Cascade Bank" CJSC as Chief Accountant. From June, 2010, in accord with the contract of merger of "Cascade Bank" CJSC and "Ameriabank" CJSC, was transferred to "Ameriabank" CJSC, where on October 8, 2010, she was appointed Deputy Chief Accountant of the Financial Department.

From July 1, 2011 to November 30, 2016, she worked at Converse Bank as Department Supervisor of Accounting and Analyses. On December 1, 2016, she took the position of Chief Accountant of Converse Bank.

On September 26, 2017, she took the office of Operations, Services and IT Director.

Gohar Harutyunyan is a member of Executive Management.

Grant Akopian

Financial Director,

Member of Executive Management

Was born on April 15, 1980 in Yerevan, Armenia.

Bachelor in Economics at University of Buenos Aires; and MBA at Columbia University (USA).

Is fluent in Spanish, English, Russian and English.

Prior to moving into Armenia, occupied various offices at Corporación América, and was involved in financial business development, merger and acquisition projects.

Hrant Hakobyan started working in Armenia in 2008. 2008-2011, worked at Haypost Trust Management B.V. and performed Corporate Development functions at Haypost CJSC, and to date has been the Board member of Haypost CJSC. 2011-2017, Adviser to CEO at Converse Bank CJSC.

In February 2017, took the office of Financial Director at Converse Bank CJSC

Vahe Dalyan

Risk Management Director

Member of Executive Management

Born on December 21, 1969. In 1992, he graduated from the Department of Radio-Technology of the Yerevan Polytechnic Institute, majoring in Engineering. Consequently, in 1994, he graduated from the Business School at Haykazyan University, earning an MBA degree; and in 2002, he graduated from London Business School earning a Master's degree in Finance (MIF). He began his professional career in 1995, undertaking the position of Director of Loan Program at Jinish Memorial Foundation (1995-1998). From 1999-2001, he worked at USAID/EMG/Shorebank Consulting Services Program as Representative of Loan Program for micro, small, and medium enterprises. From 2003-2006, he was the Micro-Finance Organizations Development Expert for the Initiative of Small Enterprise Development at USAID/EMG. From 2006-2008, he worked in the Financial Sector Development Program at USAID/EMG initially as micro-finance expert, then as group leader.

From 2009 to the present, Vahe Dalyan works at Converse Bank. He has filled the positions of Department Supervisor of Financial Tools, Department Supervisor of Risk Management, and Board Supervisor of Risk Management. In August, 2013, he took the positions of Deputy

Executive Director of the Bank as well as Board Supervisor of Commercial Financing. Since 2011 has been a member of Management Board (presently Executive Management).

Artur Nahapetyan

Business Development Director

Member of Executive Management

Born on September 25, 1981. In 1998-2003 studied at Yerevan State Institute of Economics. He started his career in 2003 as Specialist at Strategy and Methodology Department of Armeconombank OJSC. Then, he was appointed as Chief Specialist, later - Leading Specialist of the same department.

In 2005 he worked at Ardshininvestbank CJSC as Chief Specialist of the Information-Analytical Department. On 17.08.2006 he was employed at Armeconombank OJSC as Deputy Head of Branch Management Department. On August 20, 2007 he was appointed to the position of Surveyor at Division of Audit of Assets and Liabilities Operations Audit Department of Internal Audit of Unibank CJSC, then as Head of the Division. On 23.01.2008 he was appointed as Director of Department of Methodology and Standardization, on 02.06.2008 - as Head of the Division of Methodology and Standardization of the bank's Legal Department.

On 26.01.2009 he was employed as Head of Trainers' Group at Armenian Postbank CJSC, then appointed as Deputy Executive Director. On 17.10.2009 he was employed as Trainer at Human Resources Management Division of Converse Bank CJSC, and then as the Responsible for career development at the same division. On 01.06.2010 he was appointed as Head of Postbank Services, and on 22.10.2012 - as Head of Methodology Division.

On 01.02.2017 he was appointed as Deputy Director for Business Development - Head of Strategy, Planning, and Analysis Department. Since 01.09.2017 he has been holding the position of Business Development Director - member of the Management Board.

Fluent in English, Russian and Armenian.

Married, has 2 daughters.

Member of Executive Management.

Grigory Baghdasaryan

Retail Business Director

Member of Executive Management

Was born on November 26, 1976. 1992-1997, student at Yerevan Institute of National Economy, Degree in Engineering/Economics.

1999-2001, worked at Sevan Social Services Center as 2nd grade Inspector.

2004-2007, worked at Sevan Branch of ASHIB CJSC as a loan specialist.

October 2007 – May 2009, worked at Sevan Branch of Converse Bank CJSC as a loan specialist.

2009-2011, Sevan Branch Manager of VTB-Armenia Bank CJSC.

2011-2012, Regional Business Development Director, Retail Department, VTB-Armenia Bank CJSC.

2012-2016, Regional Manager at Converse Bank CJSC.

In February 2017, was appointed Retail Business Director..

Married, has 2 children.

Rostom Badalyan

Corporate Business Director

Member of Executive Management

Was born on February 11, 1983. 1999-2004, student at Economics Department of Armenian State Economy University.

2007-2013, Ararat Bank CJSC as a loan specialist, micro lending team leader, deputy Head of Lending Unit/Head of Corporate Customers Loans, Head of Lending Unit.

March-May 2014, worked at VTB-Armenia Bank CJSC as Head of Medium Customers Service Unit of Corporate Customer Service Department.

2014-2016, worked at Armbusinessbank CJSC as Head of Department of Lending with Own Funds.

April 2016 – February 2017, Director of Easy Pay LLC.

On February 6, 2017, was appointed Corporate Business Director at Converse Bank CJSC.

Married, has 2 children.

Internal Audit

Head and members of the Internal Audit subdivision (the Internal Audit) are appointed by the Board. The members of the managerial bodies of the Bank, other officials and employees, as well as persons, affiliated to the executive body, cannot be the internal audit members.

The head and members of the internal audit have to follow the work discipline, stipulated for the Bank employees.

According to the regulations approved by the Board of the Bank, the Internal audit:

- a) controls current activity and operational risks of the Bank,
- b) controls compliance with the Law, other legal acts and internal acts of the Bank by the CEO, the Executive Management, territorial and structural divisions of the Bank, assigned to the CEO and the Management Board,
- c) provides conclusions and recommendations on the issues, submitted to the Board, as well as on its own initiative.

Issues under the power of the internal audit subdivision cannot be delegated to the solution of the Bank's managerial bodies or other persons.

Head of the Internal audit shall submit to the Board, the CEO and the Executive Management the following reports:

- a) regular – on the outcome of audit, conducted under the annual program,
- b) extraordinary – if the Internal Audit has detected well grounded significant violations, furthermore, in case these violations are resulted by activity or inaction of the CEO, Executive Management or the Board, the reports shall directly be submitted to the Chairman of the Board.

In cases defined herein, the statements shall be submitted at most within two working days after detection of violations.

In case of detection of breaches in laws and other legal acts, the internal audit shall report about it to the Board of the Bank at the same time recommending on their remedy and prevention in the future.

3.8.2. Information on Parties Involved in Management of Issuer

Name	Position	Place of residence (address)	Specialty	Office held in recent 3 years, including combined jobs
Armen Ter-Tachatyan	Chairman of Board	120 -10 Chekhov street, Yerevan	Lawyer	TER-TACHATYAN Legal and Business Consulting CJSC, Shareholder/Director Converse Bank CJSC, Chairman of Board
Juan Pablo Gechidjian	Board Member	23 Arax, Vahagni District	Manager	Haypost CJSC, Chairman of Observers Board

				Advanced Global Investments LLC, Director Converse Bank CJSC, Board member Armenia International Airports, Director
Arsen Gamaghelyan (Ter Hovel Archpriest)	Board Member	28-15 Zvartnots	Clergyman	Mother See of Holy Etchmiadzin, Priest, Accountant of Financial Unit Converse Bank CJSC, Board member
Jose Luis Persico	Board Member	4b-257 Ruy Díaz de Guzmán Buenos Aires	Economist	Converse Bank CJSC, Board member Corporacion America SA as a CFO of Bodegas del Fin del Mundo SA
Daniel Guillermo Simonutti	Board Member	5663-GA1 Honduras Buenos Aires	Accountant	CFO of American International Airports (AIA), the controlling corporation of the concessionaire companies of Zvartnots International Airport, Yerevan, Republic of Armenia and Carrasco International Airport, Montevideo, Republic of Uruguay Converse Bank CJSC, Board member
Jorge Alberto Del Aguila	Board Member	Las Campanillas 602 Del Viso, Buenos Aires, Argentina	Economist / Political Scientist	Converse Bank CJSC, Board member
Juan Carlos Ozcoidi	Board Member	San Carlos 1750 (B1676) – Santos Lugares, Buenos Aires, Argentina	Manager / Economist	Director of Afluenta S.A Head of Commercial and Other Policy Development and Control Committee of Converse Bank CJSC Converse Bank CJSC, Board member
Artur Hakobyan	CEO, Chairman of Executive Management	10-2 Totovents, 2 nd Block Nor-Nork, Yerevan	Economist/Mathematician	CEO, Dilijan International School Properties and Dilijan Development Foundations Head of Dilijan Development Project of Armenia Development Initiatives Foundation
Davit Azatyan	Head of Accounting Division/Chief Accountant, Member of Executive Management	11, 3 Ujan, Ashtarak	Engineer	Head of Accounting Department/Chief Accountant, Armeconombank OJSC Financial Director/Chief Accountant Armeconombank OJSC

Gohar Harutyunyan	Operations, Services and IT Director Member of Executive Management	16-46 Hanrapetutyan 7-1 Pushkin	Economist	Head of Accounting Department/Chief Accountant Converse Bank CJSC
Grant Akopian	Financial Director, Member of Executive Management	45-9 Aygestan, Yerevan	Economist	Adviser to CEO, Converse Bank CJSC
Vahe Dalyan	Risk Management Director, Member of Executive Management	8/12, 2 nd Lane Sose, Yerevan	Radio-engineer, Financier	Deputy CEO/Head of Corporate Finance Department Converse Bank CJSC
Artur Nahapetyan	Business Development Director Member of Executive Management	31-91, 9 th Block, Nor Nork, Yerevan	Economist	Head of Methodology Unit, Business Development Deputy Director/Head of Strategy, Planning and Research Division Converse Bank CJSC
Grigory Baghdasaryan	Retail Business Director Member of Executive Management	7-7 5 th Microblock, Sevan, Gegharkunik marz	Engineer/ Economist	Regional Manager Converse Bank CJSC
Rostom Badalyan	Corporate Business Director Member of Executive Management	28-10, 11 Nubarashen, Yerevan	Economist	Head of Department of Lending with Own Funds Armbusinessbank CJSC, Director of Easy Pay LLC
Lilit Yordanyan	Head of Internal Audit	107-4/6 Amiryan, Yerevan	Economist	Head of Internal Audit

3.8.3 Conflict of Interests

No conflict of interest is in place between the Bank and the persons involved in the management of the Bank.

3.9 Controlling Persons

- a. The Bank does not have any individuals holding significant interest in the Bank.
- b. The legal entities **holding significant interest** of the Bank are:
 1. Advanced Global Investments LLC: ordinary shares 80.94% and 333 preference shares
 2. Haypost Trust Management B.V. – ordinary shares 14.06%.
- c. The **indirect significant participants** of Converse Bank CJSC are:
 1. Advanced Global Investments LTD, since it holds 100% share in Advanced Global Investments LLC;
 2. Post Finance International B.V, since it holds 100% share in Haypost Trust Management B.V, the significant shareholder of the Bank. Advanced Global Investments LLC holds 100% share in Post Finance International B.V;
 3. Eduardo Eurnekian, since he is 100% shareholder of Advanced Global Investments LTD, and the latter holds 100% share in Advanced Global Investments LLC, the significant shareholder of the Bank.

3.9.1 . Information about Securities Issued by the Bank

To date Converse Bank CJSC has issued and allocated 54,722 (fifty-four thousand seven hundred

and twenty-two) ordinary shares, each at AMD 300,000 (three hundred thousand) par value, and 333 (three hundred and thirty-three) convertible preference shares, each at AMD 100 (one hundred) par value, which generate the share capital of the Bank.

- 1) All securities issued by the Bank are dematerialized.
- 2) The securities issued by the Bank are not admitted to trading on the regulated market.
- 3) 54,722 ordinary shares and 333 preference shares issued by the Bank have been placed in full.
- 4) No maturity is set for issued securities.
- 5) The holder of the ordinary shares of the Bank is entitled to:
 - a) Participate in the Meeting with a voting right on all issues reserved to the powers of the Meeting;
 - b) Participate in the management of the Bank, and in cases under the RA legal acts – in the presence of a positive conclusion of the Central Bank of Armenia on the professional qualification of the participating party;
 - c) Receive dividends from the profit generated from the business of the Bank;
 - d) Exercise preemption right for the shares issued by the Bank, unless otherwise established under the RA laws and the Charter;
 - e) Receive any information about the business of the Bank, other than the information deemed confidential: among others, in compliance with the Charter review balance sheets, statements, financial activities of the Bank, obtain the copies of the recent annual statement of the Bank and the external audit report, and the records of the Counting Committee. The shareholders owning 2% and more allocated voting shares have the right to obtain the documents and information under the RA Law on Banks and Banking, Article 43.4;
 - f) Authorize third parties to represent them at the Meeting;
 - g) Make proposals at the Meeting;
 - h) Vote at the Meeting to the amount of voting shares held thereby;
 - i) Appeal to the court the resolutions adopted by the Meeting in contravention of the RA legal acts;
 - j) Acquire ordinary shares of the respective quantity at the price established by the Board but no less than the par value, upon replenishment of the share capital from the own funds of the Bank;
 - k) Get their share of the Bank's assets upon liquidation of the Bank;
 - l) When acquiring the sold shares exercise preemption right but at the selling price required by the shareholders and on equal terms, in compliance with the Charter;
 - m) Sell or otherwise cede their equity interest in the Bank in whole or in part to one or several shareholders of the Bank and to third parties, in compliance with the RA laws and the Charter; and
 - n) Exercise other rights reserved thereto under the Charter.

The shareholders of the convertible preference shares are entitled to:

- a) Participate in the Meeting with a voting right on issues of reorganization or liquidation of the Bank, and such amendments to the Charter that may restrain their rights;
- b) Within 1 year from acquisition of convertible preference shares demand their conversion into ordinary shares, exercise preemption right when acquiring authorized shares placed by the Bank, by converting the preference shares into ordinary shares in equal quantity and paying the difference between the market value of the additional issue and the par value of convertible preference shares and the dividends due for the latter, in the timing established under the Charter;

- c) In the presence of a decision of the managerial authority to pay dividends, receive the annual fixed dividend at 20% of par value of convertible preference shares held thereby;
- d) In cases established under the laws and by-laws, participate in the management of the Bank's affairs in the presence of a positive conclusion of the Central Bank of Armenia on the professional qualification of the participating party;
- e) Make proposals at the Meetings;
- f) In cases established under the Charter, vote at the Meeting within the limit of the voting shares held thereby;
- g) Acquire ordinary shares of the respective quantity at the price established by the Board but no less than the par value, upon replenishment of the share capital from the retained earnings of the Bank.

The shareholder of the Bank has to:

- a) Fully pay the value of their shares in the timing established under the Charter;
 - b) Refrain from disclosing information deemed bank secrecy, the list whereof is approved by the Board;
 - c) Provide the Board and the external auditor of the Bank with the legally defined information about their interest in the transactions of the Bank and their affiliation with parties executing transactions with the Bank; and
 - d) Meet other requirements of the Charter.
- 6) Converse Bank CJSC paid dividends of AMD 287,922 K from the 2013 profit, AMD 286,020 K from the 2014 profit, AMD 562,246 K from the 2015 profit, and AMD 702,047 K from the 2016 profit.
- 7) There is no information about the market value of the Bank shares, since they are not freely circulated in the market.
- 8) No case of conversion, split, consolidation or buyback of the Bank shares has occurred.

3.10 Assets and Liabilities, Financial Status, Profit and Loss of the Bank

Financial Statements of Converse Bank CJSC for all years were developed based on the International Financial Reporting Standards.

The annual financial statements verified by the Internal Audit and the external audit reports are presented in Annex 7 hereto.

The below table illustrates the financial results and the annual ROA of Converse Bank CJSC.

,000 AMD			
NAME	31/12/17 (unaudited)	31/12/16 (audited)	31/12/15 (audited)
ASSETS	252,735,853	190,993,270	158,903,165
LIABILITIES	216,736,232	158,815,267	138,201,740
EQUITY	35,999,621	32,178,003	20,701,425
Net interest income	9,340,183	7,071,898	6,496,275
Operating income (including net commission fees)	13,571,064	9,971,725	9,209,400
Pre-tax profit/(loss)	4,414,515	1,508,590	-616,073
After-tax profit/(loss)	3,626,122	1,565,032	-663,583
ROA (%)	1.65%	0.94%	-0.44%
ROE (%)	10.66%	5.84%	-2.97%

Financial Activity of the Bank

A. Structure of liabilities (resources) of the Bank are described below.

The equity and attracted funds serve a major source of resources needed for the regular

business of financial mediators, including the banks. The Bank has strengthened its resource base in recent years for the purpose of lending and other allocation of funds.

	31/12/17 (unaudited)	Share %	31/12/16 (audited)	Share %	31/12/15 (audited)	Share %
Resources, total Including:	252,735,853	100	190,993,270	100	158,903,165	100
Equity	35,999,621	14.24	32,178,003	16.85	20,701,425	13.03
Liabilities, of which:	216,736,232	85.76	158,815,267	83.15	138,201,740	86.97
Funds attracted from customers	173,914,157	68.81	139,680,217	73.13	111,430,135	70.12
Liabilities to banks and other financial organizations	27,832,817	11.01	9,374,272	4.91	17,326,492	10.90
Other liabilities	1,336,872	0.53	841,484	0.44	755,678	0.48

The below table illustrates the level of performance of the Bank liabilities as of 31.12.2016 and 31.12.2017. The actual level of normative indicators set by the Central Bank of Armenia prove that the Bank's capability to perform the liabilities have remained on a high level.

Norms	Actual ratio estimated for the Bank 31/12/17	Actual ratio estimated for the Bank 31/12/16	Allowed ratio set by the CBA
N1 Min ratio of total capital to risk-weighted assets	16.96%	21.56%	12.00%
N21 Min ratio of liquid assets in all currencies to total assets in all currencies	35.26%	39.01%	15.00%
N22 Min ratio of liquid assets in all currencies to total demand deposits in all currencies	102.49%	116.23%	60.00%

B. Structure of Bank's equity in 2015-2017

Capital	31/12/17 (unaudited)	31/12/16 (audited)	31/12/15 (audited)
Share capital	16,416,633	16,416,633	7,002,033
Additional paid-in capital	63,233	63,233	63,233
Reserves:	6,595,922	5,724,323	4,659,858
Main reserve	1,243,064	1,005,996	1,005,996
Revaluation reserve	5,352,858	4,718,327	3,653,862
Accumulated profit/loss	12,923,833	9,973,814	8,976,301
Total capital	35,999,621	32,178,003	20,701,425

The Bank's equity had generally a growing tendency over the years, which was mainly due to the growth in accumulated (retained) earnings and as well due to replenishment of share capital by shareholders. Those tendencies will continue.

C. Tax privileges

The Bank enjoys no tax privileges.

D. Judicial and legal procedures

No decision/judicial act has been adopted and enforced against the Bank by the court and government authorities for the recent 12 months.

Bankruptcy or liquidation proceeding has not been initiated against the Bank for the recent 12 month.

3.11 Significant Agreements

No significant agreements concluded beyond the regular business scopes of the Bank and valid, the price whereof surpasses 5% of the equity stated in the Bank's financial statements for the recent reporting period have been effected in 2017.

3.12 Expert's, Evaluator's, Adviser's or Accountant's Professional Opinion and Information Obtained from Third Parties

1. The Issuer has not used any third-party consulting services when developing this Prospectus.
2. The Issuer has not applied any third-party expertise or consulting services, nor has used the latter's expert opinion in this Prospectus.
3. Apart from the Issuer's historical financial statements verified by independent auditors and presented herein, no data presented in this Program Prospectus has been verified by an independent auditor. The statements and the supporting auditor's opinions are presented in Annex 7 hereto.

3.13 Other Information

The Charter, interim and annual financial statements of the Bank and the audit reports are made accessible electronically on the Bank's website www.conversebank.am.

This Program Prospectus will be posted on the Bank's website throughout its period of use: www.conversebank.am.

The investors can obtain the hard copies of the Program Prospectus and the supporting documents free of charge at the Head Office of the Bank: 26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan.

THE INVESTOR, BY REVIEWING THIS PROGRAM PROSPECTUS, HAS TO INDEPENDENTLY ASSESS THE RISK OF THEIR INVESTMENT IN PARTICULAR SECURITIES, PRIOR TO DECISION ON ACQUISITION.

ANNEX 1 Sample Buy Order for Coupon Bonds Issued by CONVERSE BANK CJSC (legal entity)

Buy Order for Acquisition of Coupon Bonds Issued by CONVERSE BANK CJSC (Legal Entity)

To be filled in by Investor

Date and hour of filing Order with the Bank (day, month, year, hour)	
Name of legal entity (firm name, legal form)	
State registration details (registration certificate number, date)	
Place of registration and location (registered and business addresses)	
TIN	
Residency (resident/nonresident)	

By virtue of filing this buy order, we accept the offer of CONVERSE BANK CJSC (the Bank), whereby we express willingness to acquire the issued coupon bonds on below terms.

Number of acquired bonds (in figures/letters)	
Currency of issuance of acquired bonds	
Acquisition price per bond (in figures/letters)	
Total sum payable for acquisition of bonds (in figures/letters)	
USD bank account # Name of bank	
AMD bank account # Name of bank	
Name of person recording securities account	
Securities account #	

Herewith we confirm that prior to filing of the buy order we have reviewed the Program Prospectus for the initial public offering of the Bank's bonds, constituting the integral part hereof, and we accept and agree with the terms stated herein, and we assume the obligations and potential risks relating to investments in the particular bonds.

We assure that the funds transferred to the Bank have been obtained legally and by no means relate to financing of terrorism, sale of drugs, human trafficking, tax evasion or other criminal actions.

We ascertain that this buy order shall constitute an agreement concluded and effected between Parties from the date of acceptance thereof by the Bank.

Investor's signature _____ Seal

To be filled in by the Bank

Date and hour of acceptance of buy order (day, month, year, hour)	
Signature and stamp of employee accepting buy order	

Total number of sold bonds (in figures/letters)	
Total sum charged against sold bonds (in figures/letters)	
Date of transfer/entry of cash* (day, month, year)	
Signature (Position and name of authorized representative of the Bank) Seal	

* **Note:** Where the investor transfers to the special transit account opened with the Bank #1930043129906501 (for USD bonds), #1930043129823704 (for EUR bonds) and #1930043123398600 (for AMD bonds) the cash for acquisition of bonds before 16:30 of the particular business day, the funds will be deemed received on that day; and where the respective funds are paid after 16:30 of the particular business day, they will be deemed received on the business day following the payment day.

Annex 2 Sample Buy Order for Coupon Bonds Issued by CONVERSE BANK CJSC (individual or sole proprietor)

**Buy Order for Acquisition of Coupon Bonds
Issued by CONVERSE BANK CJSC
(Individuals or Sole Proprietors)**

To be filled in by Investor

Date and hour of filing Order with the Bank (day, month, year, hour)	
Name of individual filing buy order (full name)	
ID details (passport number)	
Date of issue of ID (passport issue date)	
Place of registration (registered address)	
Residency (resident/nonresident)	

By virtue of filing this buy order, I accept the offer of CONVERSE BANK CJSC (the Bank), whereby I express willingness to acquire the issued coupon bonds on below terms.

Number of acquired bonds (in figures/letters)	
Currency of issuance of acquired bonds	
Acquisition price per bond (in figures/letters)	
Total sum payable for acquisition of bonds (in figures/letters)	
USD bank account # Name of bank	
AMD bank account # Name of bank	
Name of person recording securities account	
Securities account #	

Herewith I confirm that prior to filing of the buy order I have reviewed in essence the Program Prospectus for the initial public offering of the Bank's bonds, constituting the integral part hereof, and I accept and agree with the terms stated herein, and I assume the obligations and potential risks relating to investments in the particular bonds.

I am aware that the investments in securities are guaranteed by the Deposit Guarantee Fund in compliance with the RA laws, I have been duly notified and I have received and I agree with the Deposit Guarantee Terms and Conditions.

I assure that the funds transferred to the Bank have been obtained legally and by no means relate to financing of terrorism, sale of drugs, human trafficking, tax evasion or other criminal actions.

I agree that any dispute and discrepancy between the Parties shall be settled through negotiations as a matter of priority, and unless accommodated, shall be regulated in compliance with the RA laws.

I am aware that the disputes and discrepancies arising from the property claim of up to AMD 10 M or equivalent FX amount can be settled by the Financial System Mediator*.

Under the agreement effected between the Bank and the Financial System Mediator, the Bank waives its right of appeal against the resolutions of the Financial System Mediator only referring to the property claims of up to AMD 250,000 (two hundred and fifty thousand) or equivalent FX amount, and where the value of transaction is up to AMD 500,000 (five hundred thousand) or equivalent FX amount.

This buy order shall constitute an agreement concluded and effected between Parties from the date of acceptance thereof by the Bank.

Investor's signature _____

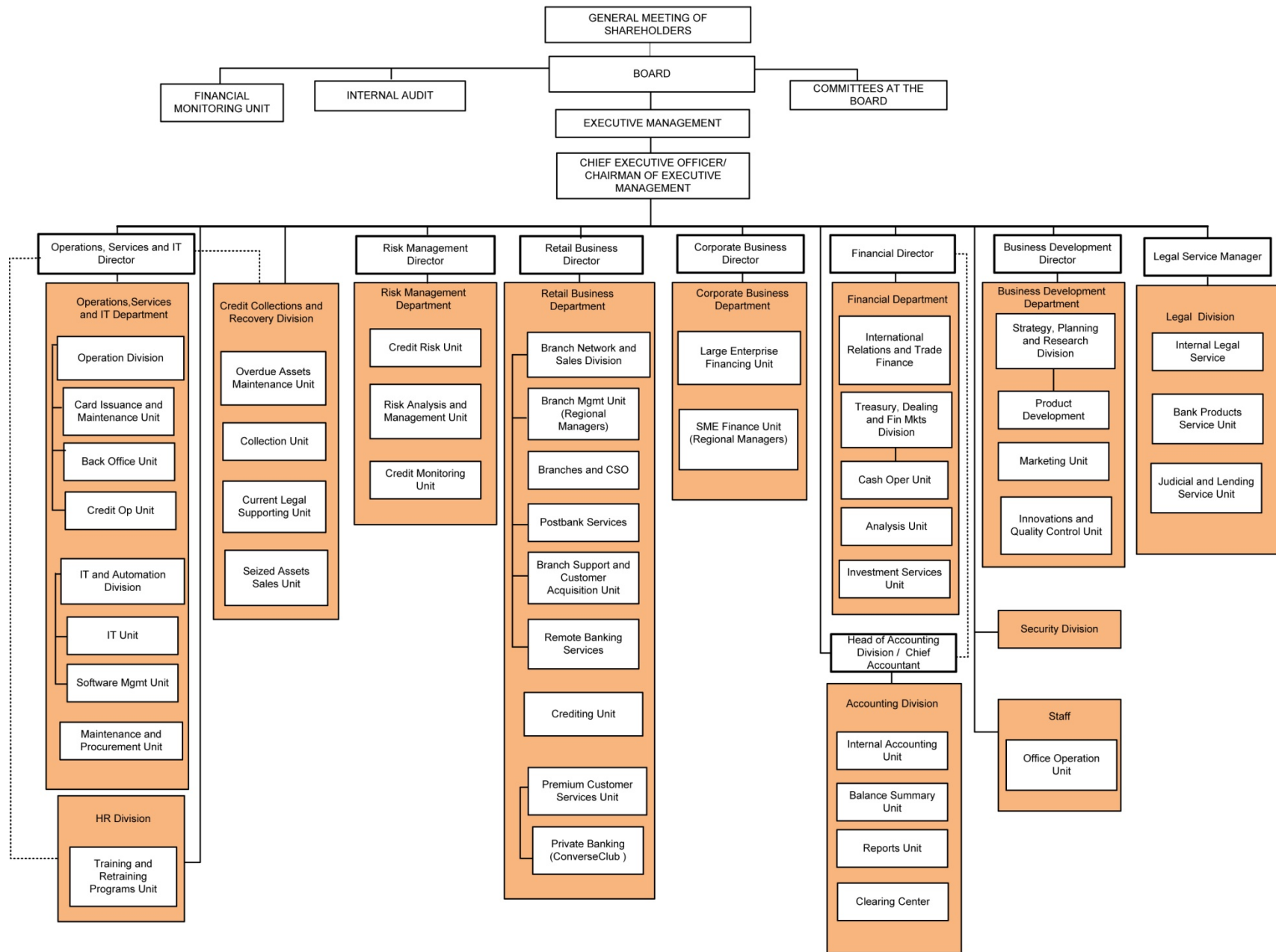
To be filled in by the Bank

Date and hour of acceptance of buy order (day, month, year, hour)	
Signature and stamp of employee accepting buy order	
Total number of sold bonds (in figures/letters)	
Total sum charged against sold bonds (in figures/letters)	
Date of transfer/entry of cash (day, month, year)	
Signature (Position and name of authorized representative of the Bank) Seal	

Note: Where the investor transfers to the special transit account opened with the Bank #1930043129906501 (for USD bonds), #1930043129823704 (for EUR bonds) and #1930043123398600 (for AMD bonds) the cash for acquisition of bonds before 16:30 of the particular business day, the funds will be deemed received on that day; and where the respective funds are paid after 16:30 of the particular business day, they will be deemed received on the business day following the payment day.

* Under the RA laws, the sole proprietor cannot exercise the right to file their claims with the Financial System Mediator.

ANNEX 3 Organizational Chart of the Bank



ANNEX 4 Final Issuance Terms

Converse Bank CJSC

(Issuer's name)

Registered, coupon, dematerialized, non-convertible bond

(type of security)

The full information about the Issuer and the issued securities can be obtained by reviewing the Program Prospectus (registered on ----- 2018), amendments thereto and the Final Issuance Terms. The Program Prospectus and the amendments thereto are available at Converse Bank CJSC: 26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Armenia.

1. General Information (The data not applicable are marked "Inapplicable"). Where securities with different basic terms (currency of issue, price of offer, par value, etc.) are issued under the same series, the different terms are stated separately for each group of securities meeting a specific term)		
1.1	Issuer (Issuer's name)	Converse Bank CJSC
1.2	Underwriter	Not planned
1.3	Series (number and date of consequential issue based on the program prospectus; e.g. 2016-1 for the 1 st issue in 2016)	2018-1
1.4	Total value of particular series of issue	
1.5	Details of securities classification from the perspective of sequence of redemption (subordination), including total value per issue of particular series by subordination	Claims of same priority creditors/holders of bonds offered by the Issuer are settled after full satisfaction of claims of senior priority. Under Article 31.2 (c) of the RA Law on Insolvency of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance Companies, the claims of the Bank's bondholder shall be satisfied in the third place. For more details, see paragraph 2.3 (f) in Program Prospectus (page 19).
1.6	Currency of issue	USD, EUR, AMD
1.7	Price of offer	<p>The placement price per bond is determined by the below formula from the first date of placement.</p> $DP = \frac{C}{f} \sum_{t=1}^N \frac{1}{\left(1 + \frac{y}{100 * f}\right)^{t-1+\tau}} + \frac{100}{\left(1 + \frac{y}{100 * f}\right)^{N-1+\tau}}$ <p>where</p> $\tau = \frac{DSN}{DCC}$ <p>DP is the price of bond (is rounded after the decimal point by 4 digit accuracy, based on the arithmetical</p>

		<p>rounding rules),</p> <p>DSN is the number of days left from the day of deal through the payment of the particular coupon,</p> <p>DCC is the number of days from the coupon payment day preceding the deal through the coupon payment succeeding the deal,</p> <p>f is the coupon payment frequency (2 for semiannual payments),</p> <p>N is the number of coupon payments left at the date of calculation,</p> <p>C is the annual coupon against 100 unit par value,</p> <p>y is the yield to maturity.:</p> <p>The Bank shall publish the bond price of each issue throughout the placement on its website: www.conversebank.am.</p>
1.8	Par value	USD 100 (one hundred), EUR 100 (one hundred), AMD 100,000 (one hundred thousand)
1.9	Quantity	250,000 (two hundred and fifty thousand) with USD, 50,000 (fifty thousand) with EUR 30,000 (thirty thousand) with AMD
1.10	Starting date of offer (including any potential change)	To be determined by the Board
1.11	End date of offer (including any potential change)	To be determined by the Board
1.12	International Securities Identification Number (ISIN) or other identification code	
1.13	Bond issuance and placement decision-making authority and date of decision (to be stated only if a separate decision is made for the particular IPO, otherwise is marked "Inapplicable")	Converse Bank CJSC Board Resolution #6 at 18.01.2018
2. Coupon details		
2.1	First day of coupon calculation	To be determined by the Board and coincides with starting day of placement
2.2	Coupon interest rate and payment frequency; upon floating interest rate, state on what indicator (change of indicator) the interest rate depends on, and where the information about the indicator/change can be obtained	Coupon interest rate is to be determined by the Board; frequency of coupon payments is to be determined by the Board
2.3	Dates of coupon payment	To be determined by the Board

	(day, month, year)	
2.4	Calculation of coupon days (e.g. 30/360, Act/Act, Act/360, etc.)	Actual days in coupon phase / Actual days in year (Actual/Actual)
2.5	Calculator of floating coupon	Inapplicable
2.6	Other essential terms for coupon calculation	
2.7	Provision on securities with 0% coupon (discount coupon) ("Applicable" or "Inapplicable")	Inapplicable
3. Details of principal		
3.1	Redemption (partial redemption) date	To be determined by the Board
3.2	Redemption (partial redemption) value; unless possible, calculation method is stated	USD 100 (one hundred) per bond; EUR 100 (one hundred) per bond; AMD 100,000 (one hundred thousand) per bond
3.3	Change in redemption value (cases when redemption value can be changed)	Not planned
3.4	Early redemption on Issuer's initiative / Call Option ("Applicable" or "Inapplicable")	Inapplicable
3.4.1	Date(s)	
3.4.2	Option price, method of calculation (if any)	
3.4.3	Upon partial redemption, min and max redemption values	
3.4.4	Other details	
3.5	Early redemption on investor's initiative / Put Option ("Applicable" or "Inapplicable")	Inapplicable
3.5.1	Date(s)	
3.5.2	Option price, method of calculation (if any)	
3.5.3	Other information (notification period)	
4. Placement details		
4.1	Issuer's name, location	Converse Bank CJSC: 26/1 Vazgen Sargsyan, Republic Square, 0010 Yerevan, Armenia
4.2	Other terms of placement (not included in the prospectus)	
5. Other information		

5.1	Admission to trading on regulated market for particular class of securities (respective regulated markets, date of admission)	So far the securities have not been admitted to trading on regulated market
5.2	If admission to trading of offered securities on regulated market is to be requested in future, information about the market (name, also a provision that the admission to trading may be declined, expected date of admission (if possible))	<p>The Issuer has to request admission of bonds to trading on regulated market, and upon getting admission under the RA laws, bonds can be circulated only on regulated market.</p> <p>Under regulated market, the Issuer implies NASDAQ OMX Armenia OJSC.</p> <p>Admission to trading may be declined</p>
5.3	Securities rating	The bonds have no rating
5.4	Methods (frequency, bank accounts, etc.) and dates of payment against securities, and methods and dates of receiving securities, method of receiving excerpt of securities ownership	<p>The payment is made on the day of submission to the Bank of the buy order in due form no later than by 16:30, through cash payment or transfer onto the special transit account opened with the Bank #1930043129906501 (for USD bonds), #1930043129823704 (for EUR bonds) and #1930043123398600 (for AMD bonds). Where the buy order was placed and the respective amount was paid by 16:30 of the particular day, the price of the bond is determined at the particular date. The amount of payment for the buy order placed and/or effected after 16:30 is determined at the price of the bond at the following business day. The bondholders can register their bond rights and responsibilities with a duly licensed Account Operators through opening of the respective securities account. The ownership of bonds can be transferred in compliance with the RA laws and the internal rules of the custodian. The bondholders can obtain the excerpt on the securities ownership from their Account Operator.</p>

The Issuer is responsible for the information included in the Final Issuance Terms. The Issuer (the Underwriter) assures that the information included herein corresponds to the information (general methodology) included in the Program Prospectus and amendments thereto, and the information is accurate (to the best of their knowledge), and no fact has been omitted or misrepresented.

Signatories

Armen Ter-Tachatyan
Chairman of Board, Converse Bank CJSC

(date)

Juan Pablo Gechidjian
Converse Bank CJSC Board Member

(date)

Arsen Gamaghelyan (Ter Hovel Archpriest)
Converse Bank CJSC Board Member

(date)

Jose Luis Persico
Converse Bank CJSC Board Member

(date)

Artur Hakobyan
Converse Bank CJSC, CEO
Chairman of Executive Management

(date)

Davit Azatyan
Converse Bank CJSC
Head of Accounting Division/Chief Accountant
Member of Executive Management

(date)

Gohar Harutyunyan
Converse Bank CJSC
Operations, Services and IT Director
Member of Executive Management

(date)

Grant Akopian
Converse Bank CJSC Financial Director
Member of Executive Management

(date)

Vahe Dalyan
Converse Bank CJSC Risk Management Director
Member of Executive Management

(date)

Artur Nahapetyan
Converse Bank CJSC
Business Development Director
Member of Executive Management

(date)

Grigory Baghdasaryan
Converse Bank CJSC
Retail Business Director
Member of Executive Management

(date)

Rostom Badalyan
Converse Bank CJSC
Corporate Business Director
Member of Executive Management

(date)

ANNEX 5 List of Branches

Head Office 26/1 Vazgen Sargsyan, Kentron community, 0010 Yerevan, Armenia Tel. (374 10) 51-12-00	
Avan Branch 161/2 Khudyakov, Avan community, 0060 Yerevan Tel. (374 10) 51-12-77, 61-44-72	Etchmiadzin Branch 69/90 Mashtost, 1101 Etchmiadzin Tel. (374 231) 52-093, 52-088
Central Branch 49 Komitas, Arabkir community, 0051 Yerevan Tel. (374 10) 51-12-00	Sevan Branch 155, 2 Nairyan, 1501 Sevan Tel. (374 261) 20-162, 20-165
Postbank 19 Branch 23 Baghramyan, Arabkir community, 0019 Yerevan Tel. (374 10) 51-46-19	Stepanakert Branch 25/2 V. Sargsyan, Stepanakert, NKR Tel. (374 47) 97-52-77
Davtashen Branch 18/6, 3 rd Block, Davtashen community, 0054 Yerevan Tel (374 10) 51-12-11	Lori Branch 54 G. Lusavorich, 2021 Vanadzor Tel. (374 322) 42-912, 42-118
Erebuni Branch 11 Erebuni, Erebuni community, 0041 Yerevan Tel. (374 10) 43-04-57, 43-04-58	Vanadzor Branch 40 G. Lusavorich, 2021 Vanadzor Tel. (374 322) 42-910, 41-258
Moskovyan Branch 39/12 Mashtots, Kentron community, 0009 Yerevan Tel. (374 10) 52-15-28	Abovyan Branch 8 Constitution Square, 2202 Abovyan Tel. (374 222) 33-080, 22-025
Kilikia Branch 4/1 Kajaznuni, Kentron community, 0070 Yerevan Tel. (374 10) 55-13-59	Avan-1 Branch Global Motors Car Salon, Yerevan-Sevan Highway Tel. (374 10) 51-1 2-11 (1477)
Yeritasardakan Branch 105/1 Teryan, 0070 Yerevan Tel. (374 10) 51-12-11	Hrazdan Branch 1 st floor, 104 Microdistrict, 2302 Hrazdan Tel. (374 223) 34-709, 24-707
Sayat-Nova Branch 19 Sayat-Nova, Kentron community, 0001 Yerevan Tel. (374 10) 51-12-00	Nor-Hachn Branch 8 Charents, 2412 Not Hachn Tel. (374 224) 43-810, 43-840
Zvartnots Airport Branch 42 Zvartnots i/a, Departures, Malatya community Tel. (374 10) 49-31-97, 49-31-98	Charentsavan Branch 21 Khanjyan, 2501 Charentsavan Tel. (374 226) 41-597
Aviatia Branch 42 Zvartnots i/a, Arrivals, Malatya community Tel. (374 10) 49-31-97	Kotayk Branch 5 Yerevan-Abovyan Road, 2228 Verin Ptghni Tel. (374 10) 51-12-11
Nor-Nork Branch 10/6 Guy, Nor-Nork community, 0056 Yerevan Tel. (374 10) 51-12-00	Kumayri Branch 46a Khrimyan Hayrik, 3106 Gyumri Tel. (374 312) 49-606, 49-605

Araratyan Branch 13, 111 Bagratunyats, Shengavit community, 0039 Tel. (374 10) 46-50-07, 42-44-95	Shirak Branch Kiosk at Gyumri Airport, Gyumri Tel. (374 312) 35-605
Zeytun Branch 14/7 Rubinyants, Kanaker-Zeytun, 0069 Yerevan Tel. (374 10) 51-12-00	Gyumri Branch 4b G. Nzhdeh, 3106 Gyumri Tel. (374 312) 42-095, 41-794
Ashtarak Branch 1 Sisakyan, 0201 Ashtarak Tel. (374 232) 36-911, 36-922	Kapan Branch 1/2 Tumanyan, 3301 Kapan Tel. (374 285) 20-058, 20-068
Artashat Branch 43-23 Ogostos, 0701 Artashat Tel. (374 235) 22-499, 22-478	Dilijan Branch Miasnikyan street, 3901 Dilijan Tel. (374 268) 22-386
Armavir Branch 46 Shahumyan, 0902 Armavir Tel. (374 237) 22-273	Ijevan Branch 6/1 Valans, 4001 Ijevan Tel. (374 263) 40-844, 40-899
Metsamor Branch 1 st floor, City Hall, 0910 Metsamor Tel. (374 237) 32-070, (374 10) 28-18-33	

ANNEX 6 Financial Ratios Calculation Formulae

$ROE = (\text{Net profit after profit tax deduction} / \text{Average equity}) \times 100$

$ROA = (\text{Net profit after profit tax deduction} / \text{Average total assets}) \times 100$

$NPM = \text{Net profit after profit tax deduction} / \text{Operating profit}$

$AU = \text{Operating profit} / \text{Average total assets}$

$EM = \text{Average total assets} / \text{Average equity}$

$NIM = \text{Net interest income} / \text{Average earning assets}$

$\text{Yield on earning assets} = \text{Interest income} / \text{Average earning assets}$

$\text{Cost of liabilities involving interest expense} = \text{Interest expense} / \text{Liabilities involving interest expense}$

$EPS = \text{Net profit after profit tax deduction} / \text{Average weighted number of shares}$

$\text{Spread} = (\text{Interest income} / \text{Average earning assets}) - (\text{Interest expense} / \text{Liabilities involving interest expense})$

