# Global Credit
# Universal Credit Organization cjsc

# Financial Statements
# for the year ended 31 December 2015

# Contents

KPMG Armenia cjsc
8th floor, Erebuni Plaza Business Center,
26/1 Vazgen Sargsyan Street
Yerevan 0010, Armenia

Telephone + 374 (10) 566 762
Fax + 374 (10) 566 762
Internet www.kpmg.am

## Independent Auditors' Report

To the Board
Global Credit Universal Credit Organization cjsc

We have audited the accompanying financial statements of Global Credit Universal Credit Organization cjsc (the "Organization"), which comprise the statement of financial position as at 31 December 2015, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Tigran Gasparyan
Engagement Partner, Director of KPMG Armenia cjsc

KPMG Armenia cjsc

KPMG Armenia cjsc
30 April 2016

| | Notes | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|---|
| Interest income | 5 | 1,358,995 | 1,071,540 |
| Interest expense | 5 | (686,443) | (563,779) |
| **Net interest income** | | **672,552** | **507,761** |
| Fee and commission income | | 48,015 | 39,913 |
| Fee and commission expense | | (8,361) | (4,454) |
| **Net fee and commission income** | | **39,654** | **35,459** |
| Net foreign exchange gain (loss) | | 20,091 | (34,565) |
| Other operating income | 6 | 103,280 | 77,396 |
| **Operating income** | | **835,577** | **586,051** |
| Impairment losses on loans to customers | | (75,958) | (231,353) |
| Personnel expenses | | (169,206) | (116,514) |
| Other general administrative expenses | 7 | (181,448) | (125,830) |
| **Profit before income tax** | | **408,965** | **112,354** |
| Income tax expense | 8 | (67,134) | (36,451) |
| **Profit for the year** | | **341,831** | **75,903** |
| **Other comprehensive income, net of income tax** | | | |
| *Items that are or may be reclassified subsequently to profit or loss:* | | | |
| Revaluation reserve for available-for-sale financial assets: | | | |
| - Net change in fair value | | 2,391 | (4,322) |
| **Total comprehensive income for the year** | | **344,222** | **71,581** |

The financial statements as set out on pages 4 to 50 were approved by management on 30 April 2016 and were signed on its behalf by:

Luiza Igraryan
Executive Director

Susanna Khachatryan
Chief Accountant

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the financial statements.

| | Notes | 2015<br>AMD'000 | 2014<br>AMD'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 9 | 82,174 | 39,523 |
| Available-for-sale financial assets | | | |
| - Held by the Organization | 10 | 270,135 | 153,838 |
| Amounts receivable under reverse repurchase agreements | 11 | - | 393,665 |
| Loans to customers | 12 | 9,578,051 | 7,570,254 |
| Assets held for sale | 12 | 57,600 | 120,923 |
| Receivables from factoring | 14 | 70,473 | 22,128 |
| Property, equipment and intangible assets | 13 | 155,242 | 125,306 |
| Current tax asset | | - | 18,489 |
| Deferred tax assets | 8 | 1,629 | - |
| Other assets | 15 | 64,343 | 76,980 |
| **Total assets** | | **10,279,647** | **8,521,106** |
| **LIABILITIES** | | | |
| Loans and borrowings | 16 | 8,056,848 | 7,508,128 |
| Debt securities issued | 17 | 591,149 | - |
| Payables for transferred but not derecognized loans | | 191,307 | - |
| Current tax liability | | 34,548 | - |
| Deferred tax liabilities | 8 | - | 943 |
| Other liabilities | | 83,952 | 32,414 |
| **Total liabilities** | | **8,957,804** | **7,541,485** |
| **EQUITY** | | | |
| Share capital | 18 | 1,000,000 | 870,000 |
| Revaluation reserve for available-for-sale financial assets | | 4,917 | 2,526 |
| Retained earnings | | 316,926 | 107,095 |
| **Total equity** | | **1,321,843** | **979,621** |
| **Total liabilities and equity** | | **10,279,647** | **8,521,106** |

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

| | Notes | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Interest receipts | | 1,338,104 | 1,065,383 |
| Interest payments | | (699,122) | (537,854) |
| Fees and commissions received | | 48,015 | 39,913 |
| Fees and commission payments | | (8,361) | (4,454) |
| Net receipts from foreign exchange | | 4,093 | 1,337 |
| Other income receipts | | 103,280 | 77,396 |
| Salaries and other payments to employees | | (167,349) | (108,010) |
| Other general administrative expenses payments | | (156,783) | (114,798) |
| **(Increase) decrease in operating assets** | | | |
| Available-for-sale financial assets | | (113,309) | (4,163) |
| Amounts receivable under reverse repurchase agreements | | 392,238 | (251,465) |
| Loans to customers | | (1,860,286) | (939,822) |
| Receivables from factoring | | (48,345) | 101,963 |
| Other assets | | 12,015 | (16,846) |
| **Increase/(decrease) in operating liabilities** | | | |
| Other liabilities | | 51,251 | (23,286) |
| **Net cash used in operating activities before income tax paid** | | **(1,104,559)** | **(714,706)** |
| Income tax paid | | (17,267) | (71,904) |
| **Cash flows used in operations** | | **(1,121,826)** | **(786,610)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from sale of assets held for sale | | 120,923 | 48,093 |
| Purchases of property, equipment and intangible assets | | (51,429) | (27,134) |
| **Cash flows from investing activities** | | **69,494** | **20,959** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Purchase of subsidiary, net of cash received | | - | (391,870) |
| Proceeds from issuance of share capital | | 130,000 | 170,000 |
| Dividends paid | | (132,000) | (172,890) |
| Proceeds from issuance of bonds | | 589,624 | - |
| Receipts of loans and borrowings | | 9,304,982 | 4,153,791 |
| Repayment of loans and borrowings | | (8,795,581) | (2,991,947) |
| **Cash flows from financing activities** | | **1,097,025** | **767,084** |
| **Net increase in cash and cash equivalents** | | **44,693** | **1,433** |
| Effect of changes in exchange rates on cash and cash equivalents | | (2,042) | 12,134 |
| Cash and cash equivalents as at the beginning of the year | | 39,523 | 25,956 |
| **Cash and cash equivalents as at the end of the year** | 9 | **82,174** | **39,523** |

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

| AMD'000 | Share capital | Revaluation reserve for available-for-sale financial assets | Retained earnings | Total |
|---|---|---|---|---|
| Balance as at 1 January 2014 | 700,000 | 6,848 | 204,082 | 910,930 |
| **Total comprehensive income** | | | | |
| Profit for the year | - | - | 75,903 | 75,903 |
| **Other comprehensive income** | | | | |
| Net change in fair value of available-for-sale financial assets, net of income tax | - | (4,322) | - | (4,322) |
| **Total comprehensive income for the year** | **-** | **(4,322)** | **75,903** | **71,581** |
| **Transactions with owners, recorded directly in equity** | | | | |
| Shares issued | 170,000 | - | - | 170,000 |
| Dividends declared | - | - | (172,890) | (172,890) |
| **Balance as at 31 December 2014** | **870,000** | **2,526** | **107,095** | **979,621** |

| AMD'000 | Share capital | Revaluation reserve for available-for-sale financial assets | Retained earnings | Total |
|---|---|---|---|---|
| Balance as at 1 January 2015 | 870,000 | 2,526 | 107,095 | 979,621 |
| **Total comprehensive income** | | | | |
| Profit for the year | - | - | 341,831 | 341,831 |
| **Other comprehensive income** | | | | |
| Net change in fair value of available-for-sale financial assets, net of income tax | - | 2,391 | - | 2,391 |
| **Total comprehensive income for the year** | | **2,391** | **341,831** | **344,222** |
| **Transactions with owners, recorded directly in equity** | | | | |
| Shares issued | 130,000 | - | - | 130,000 |
| Dividends paid | - | - | (132,000) | (132,000) |
| **Balance as at 31 December 2015** | **1,000,000** | **4,917** | **316,926** | **1,321,843** |

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

# 1 Background

## (a) Organization and operations

Global Credit Universal Credit Organization cjsc (the Organization) was established in the Republic of Armenia as a closed joint stock company on 26 October 2010 as a result of merger of Washington Capital Universal Credit Organization cjsc, and Credit Union Universal Credit Organization cjsc. The principal activity of the Organization is provision of micro and medium size loans to individuals and legal entities in the Republic of Armenia. The activities of the Organization are regulated by the Central Bank of Armenia (CBA). The Organization has a credit organization license.

All assets and liabilities of the Organization are located in the Republic of Armenia. The Organization’s registered office is at 2/251 Sasna Tsrer Street, Yerevan, Republic of Armenia.

The Organization is owned by Gagik Vardanyan (33.5%), Eduard Marutyan (33.4%), Arayik Karapetyan (28.1%) and Karen Darbinyan (5.0%). Related party transactions are detailed in note 23.

## (b) Armenian business environment

The Organization’s operations are located in Armenia. Consequently, the Organization is exposed to the economic and financial markets of Armenia which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Armenia. The financial statements reflect management’s assessment of the impact of the Armenian business environment on the operations and financial position of the Organization. The future business environment may differ from management’s assessment.

# 2 Basis of preparation

## (a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

## (b) Basis of measurement

The financial statements are prepared on the historical cost basis, except that available-for-sale financial assets are stated at fair value.

## (c) Functional and presentation currency

The functional currency of the Organization is the Armenian Dram (AMD) as, being the national currency of the Republic of Armenia, it reflects the economic substance of the majority of underlying events and circumstances relevant to the Organization.

The AMD is also the presentation currency for the purposes of these financial statements.

Financial information presented in AMD is rounded to the nearest thousand.

### (d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- note 12 - loan impairment estimates;
- note 24 - estimates of fair values of financial assets and liabilities.

## 3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements.

### (a) Basis of consolidation

#### *(i) Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Organization.

The Organization measures goodwill at the acquisition date as the fair value of the consideration transferred and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Organization incurs in connection with a business combination are expensed as incurred.

#### *(ii) Goodwill*

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

### (b) Foreign currency

Transactions in foreign currencies are translated to the AMD at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

## (c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, and unrestricted current accounts with banks. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

## (d) Financial instruments

### *(i) Classification*

*Financial instruments at fair value through profit or loss* are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for a derivative that is a financial guarantee contract or a designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Organization may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the Organization has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Organization:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

*Held-to-maturity investments* are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Organization has the positive intention and ability to hold to maturity, other than those that:

- the Organization upon initial recognition designates as at fair value through profit or loss
- the Organization designates as available-for-sale or,
- meet the definition of loans and receivables.

*Available-for-sale financial assets* are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

### *(ii) Recognition*

Financial assets and liabilities are recognized in the statement of financial position when the Organization becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

### *(iii) Measurement*

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on their sale or other disposal, except for:

- loans and receivables which are measured at amortized cost using the effective interest method
- held-to-maturity investments that are measured at amortized cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

### *(iv) Amortized cost*

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

### *(v) Fair value measurement principles*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Organization has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Organization measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Organization uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Organization determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Organization measures assets and long positions at the bid price and liabilities and short positions at the ask price.

The Organization measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant adjustments or assumptions are required to reflect differences between the instruments.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Organization on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell the net long position (or paid to transfer the net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Organization recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

### *(vi) Gains and losses on subsequent measurement*

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss
- a gain or loss on an available-for-sale financial asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest in relation to an available-for-sale financial asset is recognized in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

### *(vii) Derecognition*

The Organization derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Organization neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Organization is recognized as a separate asset or liability in the statement of financial position. The Organization derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Organization enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized.

In transactions where the Organization neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Organization continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

The Organization writes off assets deemed to be uncollectible.

### *(viii) Repurchase and reverse repurchase agreements*

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

### *(ix) Securitisation*

For securitised financial assets, the Organization considers both the degree of transfer of risks and rewards on assets transferred to another entity and the degree of control exercised by the Organization over the other entity.

When the Organization, in substance, controls the entity to which financial assets are transferred, the entity is included in these consolidated financial statements and the transferred assets are recognised in the statement of financial position.

When the Organization transfers financial assets to another entity, but retains substantially all the risks and rewards related to the transferred assets, the transferred assets are recognised in the statement of financial position.

When the Organization transfers substantially all the risks and rewards related to the transferred assets to an entity that it does not control, the assets are derecognised from the statement of financial position.

If the Organization neither transfers nor retains substantially all the risks and rewards related to the transferred assets, the assets are derecognised if the Organization has not retained control over the assets.

### *(x) Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Organization currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Organization currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Organization and all counterparties.

## (e) Property and equipment

### *(i) Owned assets*

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

### *(ii) Depreciation*

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

| | | |
|---|---|---|
| - | buildings | 20 years |
| - | computer equipment | 3 years |
| - | fixtures and fittings | 5 years |
| - | motor vehicles | 5 years |
| - | leasehold improvements | shorter of useful life and lease term |

## (f) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortization and impairment losses.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful live is 15 years.

## (g) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Organization’s accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

## (h) Impairment

The Organization assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Organization determines the amount of any impairment loss.

A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Organization would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below cost is objective evidence of impairment.

### *(i) Financial assets carried at amortized cost*

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Organization reviews its loans and receivables to assess impairment on a regular basis.

The Organization first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Organization determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.
In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Organization uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Organization writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

### *(ii) Financial assets carried at cost*

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and cannot be reversed.

### *(iii) Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognized by transferring the cumulative loss that is recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

### *(iv) Non financial assets*

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

## (i) Provisions

A provision is recognized in the statement of financial position when the Organization has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## (j) Credit related commitments

In the normal course of business, the Organization enters into credit related commitments, comprising undrawn loan commitments and guarantees.

Financial guarantees are contracts that require the Organization to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognized initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognized less cumulative amortization or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognized when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognized, except in the following cases:

- loan commitments that the Organization designates as financial liabilities at fair value through profit or loss
- if the Organization has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument
- commitments to provide a loan at a below-market interest rate.

## (k) Share capital

### *(i) Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

### *(ii) Dividends*

The ability of the Organization to declare and pay dividends is subject to the rules and regulations of the Armenian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

## (l) Taxation

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets and liabilities are not recognized for the goodwill not deductible for tax purposes, and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Organization expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilized.

## (m) Income and expense recognition

Interest income and expense are recognized in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognized in profit or loss when the corresponding service is provided.

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

## (n) Segment reporting

An operating segment is a component of the Organization that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the Organization); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Management considers that the Bank comprises of one operating segment.

## (o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2015, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Organization plans to adopt these pronouncements when they become effective.

| New or amended standard | Summary of the requirements | Possible impact on financial statements |
|---|---|---|
| IFRS 9 *Financial Instruments* | IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.<br>IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. | The Organization is assessing the potential impact on its financial statements resulting from the application of IFRS 9. |
| Various *Improvements to IFRS* | Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016. | The Organization has not yet analyzed the likely impact of the improvements on its financial position or performance. |

# 4 Acquisitions

On 25 March 2014 the Organization acquired all of the shares in "GFC General Financial & Credit Company" Universal Credit Organization LLC for AMD 456,500 thousand, which was settled in cash. After the acquisition, in July 2014, the Organization legally merged "GFC General Financial & Credit Company" Universal Credit Organization LLC. In preparing these financial statements the transaction is accounted for as a business combination.

The principal activity of the "GFC General Financial & Credit Company" Universal Credit Organization LLC was provision of micro and medium size loans to individuals and legal entities in the Republic of Armenia. Taking control of "GFC General Financial & Credit Company" Universal Credit Organization LLC enables the Organization to broaden its lending operations and get access to financing from international financial institutions.

The fair value amounts of assets and liabilities of the acquired subsidiary recognized in the Organization's financial statements were as follows at the date of acquisition:

| **AMD'000** | **Recognized amounts on acquisition** |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | 64,630 |
| Loans to customers | 992,682 |
| Investment property | 36,638 |
| Property, equipment and intangible assets | 5,433 |
| Other assets | 7,606 |
| **LIABILITIES** | |
| Loans and borrowings | (704,862) |
| Other liabilities | (22,963) |
| **Net identifiable assets** | **379,164** |
| Goodwill on acquisition | 77,336 |
| Consideration paid | (456,500) |

The goodwill is attributable mainly to the synergies expected to be achieved from integrating the company into the Organization's existing business.

# 5 Net interest income

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| **Interest income** | | |
| Loans to customers | 1,327,511 | 1,020,616 |
| Available-for-sale financial assets | 15,934 | 20,335 |
| Amounts receivable under reverse repurchase agreements | 9,020 | 25,115 |
| Other | 6,530 | 5,474 |
| | **1,358,995** | **1,071,540** |
| **Interest expense** | | |
| Loans and borrowings | 679,058 | 563,779 |
| Debt securities issued | 7,385 | - |
| | **686,443** | **563,779** |
| **Net interest income** | **672,552** | **507,761** |

# 6 Other operating income

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| Fines and penalties received | 107,274 | 73,265 |
| Other (expenses)/income | (3,994) | 4,131 |
| | **103,280** | **77,396** |

# 7 Other general administrative expenses

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| Advertising and marketing expenses | 37,436 | 32,113 |
| Operating lease expenses | 33,146 | 27,050 |
| Depreciation and amortization | 21,493 | 11,033 |
| Taxes other than on income | 19,298 | 10,258 |
| Repairs and maintenance | 15,262 | 11,202 |
| Expenses for loan disbursement | 12,933 | 3,856 |
| Office expenses | 11,231 | 5,962 |
| Professional services | 10,739 | 8,310 |
| Representation expenses | 3,005 | 4,838 |
| Other | 16,905 | 11,208 |
| | **181,448** | **125,830** |

# 8 Income tax expense

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| Current year tax expense | 70,304 | 36,173 |
| Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences | (3,170) | 278 |
| **Total income tax expense** | **67,134** | **36,451** |

In 2015 the applicable tax rate for current and deferred tax is 20% (2014: 20%).

## Reconciliation of effective tax rate for the year ended 31 December:

| | 2015 AMD'000 | % | 2014 AMD'000 | % |
|---|---|---|---|---|
| Profit before tax | 408,965 | | 112,354 | |
| Income tax at the applicable tax rate | 81,793 | 20.0 | 22,471 | 20.0 |
| Non-deductible (income)/expenses | (14,659) | (3.6) | 13,980 | 12.4 |
| | **67,134** | **16.4** | **36,451** | **32.4** |

## (a) Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2015 and net deferred tax liabilities as at 31 December 2014.

The deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the years ended 31 December 2015 and 2014 are presented as follows:

| **2015** AMD'000 | Balance 1 January 2015 | Recognized in profit or loss | Recognized in other comprehensive income | Balance 31 December 2015 |
|---|---|---|---|---|
| Available-for-sale financial assets | (632) | - | (598) | (1,230) |
| Other assets | (1,037) | 679 | - | (358) |
| Other liabilities | 726 | 2,491 | - | 3,217 |
| | **(943)** | **3,170** | **(598)** | **1,629** |

| **2014** AMD'000 | Balance 1 January 2014 | Recognized in profit or loss | Recognized in other comprehensive income | Balance 31 December 2014 |
|---|---|---|---|---|
| Available-for-sale financial assets | (1,712) | - | 1,080 | (632) |
| Other assets | (640) | (397) | - | (1,037) |
| Other liabilities | 607 | 119 | - | 726 |
| | **(1,745)** | **(278)** | **1,080** | **(943)** |

### (b) Income tax recognized in other comprehensive income

The tax effects relating to components of other comprehensive income for the years ended 31 December 2015 and 2014 comprise the following:

| | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|
| **AMD'000** | **Amount before tax** | **Tax expense** | **Amount net-of-tax** | **Amount before tax** | **Tax expense** | **Amount net-of-tax** |
| Net change in fair value of available-for-sale financial assets | 2,989 | (598) | 2,391 | (5,402) | 1,080 | (4,322) |
| **Other comprehensive income** | **2,989** | **(598)** | **2,391** | **(5,402)** | **1,080** | **(4,322)** |

# 9 Cash and cash equivalents

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| **Cash on hand** | 13,128 | 2,149 |
| **Current accounts** | | |
| - largest 5 Armenian banks | 35,240 | 10,602 |
| - medium size Armenian banks | 33,806 | 26,772 |
| **Total current accounts** | **69,046** | **37,374** |
| **Total cash and cash equivalents** | **82,174** | **39,523** |

No cash and cash equivalents are impaired or past due.

As at 31 December 2015 and 2014 the Organization has no banks whose balances exceed 10% of equity.

# 10 Available-for-sale financial assets

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| **Held by the Organisation** | | |
| **Debt and other fixed-income instruments** | | |
| **- Government bonds** | | |
| Government securities of the Republic of Armenia | 247,896 | 153,838 |
| **- Other** | 22,239 | - |
| | **270,135** | **153,838** |

# 11 Amounts receivable under reverse repurchase agreements

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| Amounts receivable from a medium size Armenian financial institution | **-** | **393,665** |

## Collateral

As at 31 December amounts receivable under reverse repurchase agreements were collateralized by securities with the following fair values:

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| Government securities of the Republic of Armenia | **-** | **392,765** |

# 12 Loans to customers

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| **Business loans** | | |
| Corporate customers | 2,434,647 | 2,100,146 |
| Sole entrepreneurs | 799,587 | 352,458 |
| **Total business loans** | **3,234,234** | **2,452,604** |
| **Loans to individuals** | | |
| Mortgage loans | 4,916,463 | 3,920,693 |
| Agricultural loans | 912,629 | 846,498 |
| Consumer loans secured by gold | 192,291 | 192,580 |
| Consumer loans secured by real estate | 89,945 | 111,920 |
| Auto loans | 8,268 | 25,903 |
| Other consumer loans | 369,112 | 148,645 |
| **Total loans to individuals** | **6,488,708** | **5,246,239** |
| **Gross loans to customers** | **9,722,942** | **7,698,843** |
| Impairment allowance | (144,891) | (128,589) |
| **Net loans to customers** | **9,578,051** | **7,570,254** |

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2015 are as follows:

| | Business loans AMD'000 | Loans to individuals AMD'000 | Total AMD'000 |
|---|---|---|---|
| Balance at the beginning of the year | 44,070 | 84,519 | 128,589 |
| Net (recovery)/charge | (78,107) | 154,065 | 75,958 |
| Net recoveries/(write-offs) | 76,494 | (136,150) | (59,656) |
| **Balance at the end of the year** | **42,457** | **102,434** | **144,891** |

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2014 are as follows:

| | Business loans AMD'000 | Loans to individuals AMD'000 | Total AMD'000 |
|---|---|---|---|
| Balance at the beginning of the year | 64,954 | 45,645 | 110,599 |
| Net charge | 139,018 | 92,335 | 231,353 |
| Net write-offs | (159,902) | (53,461) | (213,363) |
| **Balance at the end of the year** | **44,070** | **84,519** | **128,589** |

## (a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2015:

| | Gross loans AMD'000 | Impairment allowance AMD'000 | Net loans AMD'000 | Impairment allowance to gross loans, % |
|---|---|---|---|---|
| **Business loans** | | | | |
| **Corporate customers** | | | | |
| Loans without individual signs of impairment | 2,407,418 | 24,193 | 2,383,225 | 1.0% |
| Overdue or impaired loans: | | | | |
| - overdue less than 90 days | 20,837 | 2,569 | 18,268 | 12.3% |
| - overdue 91-270 days | 6,392 | 1,546 | 4,846 | 24.2% |
| **Total loans to corporate customers** | **2,434,647** | **28,308** | **2,406,339** | **1.2%** |
| **Sole entrepreneurs** | | | | |
| Loans without individual signs of impairment | 789,138 | 9,393 | 779,745 | 1.2% |
| Overdue or impaired loans: | | | | |
| - overdue less than 90 days | 3,363 | 404 | 2,959 | 12.0% |
| - overdue 91-270 days | 7,086 | 4,352 | 2,734 | 61.4% |
| Total overdue or impaired loans | 10,449 | 4,756 | 5,693 | 45.5% |
| **Total loans to sole entrepreneurs** | **799,587** | **14,149** | **785,438** | **1.8%** |
| **Total business loans** | **3,234,234** | **42,457** | **3,191,777** | **1.3%** |
| **Loans to individuals** | | | | |
| **Mortgage loans** | | | | |
| - not overdue | 4,824,093 | 48,739 | 4,775,354 | 1.0% |
| - overdue less than 30 days | 12,150 | 1,215 | 10,935 | 10.0% |
| - overdue 30-89 days | 80,220 | 13,232 | 66,988 | 16.5% |
| **Total mortgage loans** | **4,916,463** | **63,186** | **4,853,277** | **1.3%** |
| **Agricultural loans** | | | | |
| - not overdue | 862,244 | 13,936 | 848,308 | 1.6% |
| - overdue less than 30 days | 19,618 | 2,639 | 16,979 | 13.5% |
| - overdue 30-89 days | 10,438 | 1,602 | 8,836 | 15.3% |
| - overdue 90-179 days | 14,029 | 3,192 | 10,837 | 22.8% |
| - overdue 180-270 days | 6,300 | 3,150 | 3,150 | 50.0% |
| **Total agricultural loans** | **912,629** | **24,519** | **888,110** | **2.7%** |
| **Consumer loans secured by gold** | | | | |
| - not overdue | 191,041 | 1,954 | 189,087 | 1.0% |
| - overdue 30-89 days | 257 | 26 | 231 | 10.0% |
| - overdue 90-179 days | 993 | 201 | 792 | 20.2% |
| **Total consumer secured by gold** | **192,291** | **2,181** | **190,110** | **1.1%** |
| **Consumer loans secured by real estate** | | | | |
| - not overdue | 87,593 | 875 | 86,718 | 1.0% |
| - overdue 90-179 days | 2,352 | 472 | 1,880 | 20.1% |
| **Total consumer secured by real estate** | **89,945** | **1,347** | **88,598** | **1.5%** |

| | Gross loans AMD'000 | Impairment allowance AMD'000 | Net loans AMD'000 | Impairment allowance to gross loans, % |
|---|---|---|---|---|
| **Auto loans** | | | | |
| - not overdue | 8,268 | 83 | 8,185 | 1.0% |
| **Total auto loans** | **8,268** | **83** | **8,185** | **1.0%** |
| **Other consumer loans** | | | | |
| - not overdue | 338,263 | 3,638 | 334,625 | 1.1% |
| - overdue less than 30 days | 6,962 | 675 | 6,287 | 9.7% |
| - overdue 30-89 days | 8,749 | 939 | 7,810 | 10.7% |
| - overdue 90-179 days | 6,718 | 1,491 | 5,227 | 22.2% |
| - overdue 180-270 days | 8,420 | 4,375 | 4,045 | 52.0% |
| **Total other consumer loans** | **369,112** | **11,118** | **357,994** | **3.0%** |
| **Total loans to individuals** | **6,488,708** | **102,434** | **6,386,274** | **1.6%** |
| **Total loans to customers** | **9,722,942** | **144,891** | **9,578,051** | **1.5%** |

The following table provides information on the credit quality of the loans to customers as at 31 December 2014:

| | Gross loans AMD'000 | Impairment allowance AMD'000 | Net loans AMD'000 | Impairment allowance to gross loans, % |
|---|---|---|---|---|
| **Business loans** | | | | |
| **Corporate customers** | | | | |
| Loans without individual signs of impairment | 2,100,146 | 31,692 | 2,068,454 | 1.5% |
| **Total loans to corporate customers** | **2,100,146** | **31,692** | **2,068,454** | **1.5%** |
| **Sole entrepreneurs** | | | | |
| Loans without individual signs of impairment | 335,604 | 5,034 | 330,570 | 1.5% |
| Overdue or impaired loans: | | | | |
| - overdue less than 90 days | 7,689 | 1,845 | 5,844 | 24.0% |
| - overdue 91-270 days | 9,165 | 5,499 | 3,666 | 60.0% |
| Total overdue or impaired loans | 16,854 | 7,344 | 9,510 | 43.6% |
| **Total loans to sole entrepreneurs** | **352,458** | **12,378** | **340,080** | **3.5%** |
| **Total business loans** | **2,452,604** | **44,070** | **2,408,534** | **1.8%** |
| | | | | |
| **Loans to individuals** | | | | |
| **Mortgage loans** | | | | |
| - not overdue | 3,863,000 | 46,356 | 3,816,644 | 1.2% |
| - overdue less than 30 days | 4,226 | 52 | 4,174 | 1.2% |
| - overdue 30-89 days | 21,402 | 2,150 | 19,252 | 10.0% |
| - overdue 90-179 days | 21,708 | 4,342 | 17,366 | 20.0% |
| - overdue 180-270 days | 10,357 | 3,107 | 7,250 | 30.0% |
| **Total mortgage loans** | **3,920,693** | **56,007** | **3,864,686** | **1.4%** |

| | Gross loans AMD'000 | Impairment allowance AMD'000 | Net loans AMD'000 | Impairment allowance to gross loans, % |
|---|---|---|---|---|
| **Agricultural loans** | | | | |
| - not overdue | 813,554 | 14,681 | 798,873 | 1.8% |
| - overdue less than 30 days | 6,012 | 601 | 5,411 | 10.0% |
| - overdue 30-89 days | 6,937 | 1,387 | 5,550 | 20.0% |
| - overdue 90-179 days | 19,424 | 5,827 | 13,597 | 30.0% |
| - overdue 180-270 days | 571 | 571 | - | 100.0% |
| **Total agricultural loans** | **846,498** | **23,067** | **823,431** | **2.7%** |
| **Consumer loans secured by gold** | | | | |
| - not overdue | 189,172 | - | 189,172 | 0.0% |
| - overdue less than 30 days | 1,933 | 541 | 1,392 | 28.0% |
| - overdue 30-89 days | 1,390 | 389 | 1,001 | 28.0% |
| - overdue 90-179 days | 85 | 24 | 61 | 28.2% |
| **Total consumer secured by gold** | **192,580** | **954** | **191,626** | **0.5%** |
| **Consumer loans secured by real estate** | | | | |
| - not overdue | 108,827 | 1,306 | 107,521 | 1.2% |
| - overdue less than 30 days | 3,093 | 37 | 3,056 | 1.2% |
| **Total consumer secured by real estate** | **111,920** | **1,343** | **110,577** | **1.2%** |
| **Auto loans** | | | | |
| - not overdue | 25,903 | 311 | 25,592 | **1.2%** |
| **Total auto loans** | **25,903** | **311** | **25,592** | **1.2%** |
| **Other consumer loans** | | | | |
| - not overdue | 145,388 | 1,748 | 143,640 | 1.2% |
| - overdue less than 30 days | 1,549 | 155 | 1,394 | 10.0% |
| - overdue 30-89 days | 365 | 73 | 292 | 20.0% |
| - overdue 90-179 days | 689 | 207 | 482 | 30.0% |
| - overdue 180-270 days | 654 | 654 | - | 100.0% |
| **Total other consumer loans** | **148,645** | **2,837** | **145,808** | **1.9%** |
| **Total loans to individuals** | **5,246,239** | **84,519** | **5,161,720** | **1.6%** |
| **Total loans to customers** | **7,698,843** | **128,589** | **7,570,254** | **1.7%** |

## (b) Key assumptions and judgments for estimating the loan impairment

### *(i) Business loans*

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and that can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment for business loans include the following:

- overdue payments under the loan agreement;
- significant difficulties in the financial conditions of the borrower;
- deterioration in business environment, negative changes in the borrower's markets.

The Organization estimates loan impairment for business loans based on an analysis of the future cash flows for loans with individual signs of impairment and based on its past loss experience for portfolios of loans for which no individual signs of impairment have been identified.

In determining the impairment allowance for loans to corporate customers, management makes the following key assumptions:

- market loss rate of 1.0%-1.2% for non-impaired loans;
- a discount of between 20% and 30% to the originally appraised value if the property pledged is sold;
- a delay of 12 - 24 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance on business loans as at 31 December 2015 would be AMD 31,918 thousand lower/higher (2014: AMD 24,085 thousand lower/higher).

### *(ii) Loans to individuals*

The Organization estimates loan impairment for loans to retail customers based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the impairment losses for loans to retail customers include:

- for loans to retail customers other than loans secured by gold and real estate, and mortgage loans, loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 24 months;
- loans to individuals overdue for more than 180 days are allocated 100% probability of loss;
- no loss is expected on non-overdue loans secured by gold considering loan to value ratio and liquidity of collateral;
- market loss rate of 1% for non-impaired mortgage loans. In respect of overdue mortgage loans, the management estimated a maximum of 10% costs related to the sale through court procedures of the property pledged within 24 months of the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the impairment allowance on loans to individuals as at 31 December 2015 would be AMD 191,588 thousand lower/higher (2014: AMD 154,852 thousand).

## (c) Analysis of collateral

### *(i) Business loans*

Business loans are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be important indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Organization generally requests corporate borrowers to provide it.

The following tables provide information on collateral and other credit enhancements securing business loans, net of impairment, by types of collateral:

| AMD'000 | 31 December 2015<br>Loans to customers, carrying amount | 31 December 2014<br>Loans to customers, carrying amount |
|---|---|---|
| Loans without individual signs of impairment | | |
| Real estate | 1,141,640 | 718,020 |
| Inventory | 462,710 | 543,596 |
| Motor vehicles | 125,861 | 66,863 |
| Equipment | 238,906 | 46,871 |
| Corporate shares | 52 | 18,674 |
| Other collateral | 9,092 | 845 |
| Guarantees | 281,234 | 205,509 |
| No collateral | 903,475 | 798,646 |
| **Total loans without individual signs of impairment** | **3,162,970** | **2,399,024** |
| Overdue or impaired loans | | |
| Real estate | 10,538 | 6,667 |
| Motor vehicles | 5,409 | - |
| Equipment | 3,231 | - |
| Other collateral | 40 | - |
| No collateral | 9,589 | 2,843 |
| **Total overdue or impaired loans** | **28,807** | **9,510** |
| **Total business loans** | **3,191,777** | **2,408,534** |

The tables above exclude overcollateralization.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed.

The recoverability of loans which are neither past due nor impaired primarily depends on the creditworthiness of the borrowers rather than the value of collateral, and the Organization does not necessarily update the valuation of collateral as at each reporting date.

### *(ii) Loans to individuals*

Mortgage loans are secured by the underlying housing real estate. The Organization's policy is to issue mortgage loans with a loan-to-value ratio of a maximum of 80%. The fair value of real estate securing mortgage loans is at least equal to the carrying amounts of individual loans based on the values determined at the loan inception date.

Agricultural loans are secured by real estate or by individual guarantees given by the members of a group of borrowers formed for the purpose of obtaining loans from the Organization.

Auto loans are secured by the underlying cars.

The Organization's policy is to issue gold loans with a loan-to-value ratio of a maximum of 100%.

The fair values of the collateral were estimated at inception of the loans and were not adjusted for subsequent changes to the reporting date.

### *(iii) Repossessed collateral*

During the year ended 31 December 2015, the Organization obtained certain assets by taking possession of collateral for loans to customers with a net carrying amount of AMD 57,600 thousand (2014: AMD 120,923 thousand). As at 31 December 2015 and 2014 the repossessed collateral comprise real estate and is included in assets held for sale.

On the date of foreclosure the collateral is measured at the carrying amount of the defaulted loan. Subsequent to foreclosure repossessed assets are measured at cost less impairment losses. Impairment is estimated based on the market approach. The market approach for real estate is based upon an analysis of the results of comparable recent sales of similar assets or announced prices for sale of similar assets, applying a discount of between 20% and 38% depending on the nature and location of the asset for the announced prices for sale.

The Organization's policy is to sell these assets as soon as it is practicable.

### *(iv) Asset securitisation*

As at 31 December 2015, the Organization transferred business and consumer loans of AMD 57,592 thousand and AMD 132,238 thousand, respectively, (2014: nil) to Loan Portfolio Securitization Fund I, an entity that is, in substance, is not controlled by the Organization. As the Organization did not transfer substantially all the risks and rewards related to the transferred assets, loans are included in the statement of financial position.

## (d) Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Republic of Armenia who operate in the following economic sectors:

| | **2015 AMD'000** | **2014 AMD'000** |
|---|---:|---:|
| Trade | 1,192,921 | 919,297 |
| Construction | 144,070 | 491,350 |
| Manufacturing | 684,757 | 388,017 |
| Financial services | 210,579 | 190,040 |
| Agriculture | 484,368 | 149,410 |
| Other | 517,539 | 314,490 |
| Loans to individuals | 6,488,708 | 5,246,239 |
| | **9,722,942** | **7,698,843** |
| Impairment allowance | (144,891) | (128,589) |
| | **9,578,051** | **7,570,254** |

## (e) Significant credit exposures

As at 31 December 2015 the Organization has four borrowers (2014: eight), whose loan balances exceed 10% of equity. These balances as at 31 December 2015 are AMD 702,720 thousand (2014: AMD 1,042,512 thousand).

## (f) Loan maturities

The maturity of the loan portfolio is presented in note 19 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Organization, it is likely that many of the loans will be renewed at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the contractually agreed term.

# 13 Property, equipment and intangible assets

| **AMD'000** | **Buildings** | **Computer equipment** | **Fixtures and fittings** | **Motor vehicles** | **Leasehold improvements** | **Goodwill** | **Other intangible assets** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Balance at 1 January 2015 | 2,359 | 17,602 | 13,071 | 12,135 | 13,793 | 77,336 | 19,214 | 155,510 |
| Additions | - | 13,494 | 56,188 | 2,645 | - | - | - | 72,327 |
| Disposal | (2,359) | (3,223) | (6,527) | - | (13,793) | - | (1,283) | (27,185) |
| **Balance at 31 December 2015** | **-** | **27,873** | **62,732** | **14,780** | **-** | **77,336** | **17,931** | **200,652** |
| | | | | | | | | |
| **Depreciation and amortization** | | | | | | | | |
| Balance at 1 January 2015 | - | 11,192 | 9,350 | 4,453 | 67 | - | 5,142 | 30,204 |
| Depreciation and amortization for the year | - | 7,754 | 7,450 | 5,059 | - | - | 1,230 | 21,493 |
| Disposal | - | (1,906) | (3,252) | - | (67) | - | (1,062) | (6,287) |
| **Balance at 31 December 2015** | **-** | **17,040** | **13,548** | **9,512** | **-** | **-** | **5,310** | **45,410** |
| | | | | | | | | |
| **Carrying amount** | | | | | | | | |
| **At 31 December 2015** | **-** | **10,833** | **49,184** | **5,268** | **-** | **77,336** | **12,621** | **155,242** |

| AMD'000 | Buildings | Computer equipment | Fixtures and fittings | Motor vehicles | Leasehold improvements | Goodwill | Other intangible assets | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Balance at 1 January 2014 | - | 16,502 | 11,308 | 11,400 | - | - | 13,724 | 52,934 |
| Additions through business combination | 2,359 | 671 | 1,060 | 60 | - | - | 1,283 | 5,433 |
| Additions | - | 429 | 703 | 675 | 13,793 | 77,336 | 4,207 | 97,143 |
| **Balance at 31 December 2014** | **2,359** | **17,602** | **13,071** | **12,135** | **13,793** | **77,336** | **19,214** | **155,510** |
| **Depreciation and amortization** | | | | | | | | |
| Balance at 1 January 2014 | - | 9,005 | 6,449 | 2,074 | - | - | 1,643 | 19,171 |
| Depreciation and amortization for the year | - | 2,187 | 2,901 | 2,379 | 67 | - | 3,499 | 11,033 |
| **Balance at 31 December 2014** | **-** | **11,192** | **9,350** | **4,453** | **67** | **-** | **5,142** | **30,204** |
| **Carrying amount** | | | | | | | | |
| **At 31 December 2014** | **2,359** | **6,410** | **3,721** | **7,682** | **13,726** | **77,336** | **14,072** | **125,306** |

There are no capitalized borrowing costs related to the acquisition or construction of property or equipment during 2015 (2014: nil).

For the purpose of impairment testing, goodwill is allocated to the Organization's total operations. There is no lower level of CGU within the Organization at which the goodwill is monitored for internal management purposes. The recoverable amount of the CGU was based on its value in use and was determined to be higher than its carrying amount and no impairment loss was recognized

# 14 Receivables from factoring

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| Receivables from factoring | **70,473** | **22,128** |

No receivables from factoring are impaired or past due.

As at 31 December 2015 all receivables from factoring are from two legal entities with the right of regress.

# 15 Other assets

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| Receivables from disposal of investment property | 35,205 | 43,965 |
| Receivables from investment fund | 24,427 | - |
| Prepayments given | 4,660 | 28,870 |
| Other | 51 | 4,145 |
| | **64,343** | **76,980** |

The receivables are not past due or impaired.

# 16 Loans and borrowings

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| Loans from refinancing credit organizations | 3,574,194 | 3,006,687 |
| Loans from state non-commercial organizations | 2,235,593 | 1,542,486 |
| Borrowings from shareholders | 1,311,419 | 1,431,456 |
| Bank loans and credit lines | 620,963 | 831,990 |
| Loans from the CBA | 188,619 | 306,540 |
| Loans from international financial institutions | 79,891 | 138,406 |
| Loans from non-resident non-commercial organizations | 46,169 | 79,891 |
| Loans from other financial institution | - | 100,442 |
| Loans from other entities | - | 70,230 |
| | **8,056,848** | **7,508,128** |

As at 31 December 2015 the Organization has thirteen (2014: fourteen) institutions whose balances exceed 10% of equity. These balances as at 31 December 2015 are AMD 7,824,283 thousand (2014: AMD 7,348,617 thousand).

As at 31 December 2015 loans and borrowings of AMD 5,032,892 thousand (2014: AMD 3,869,223 thousand) are secured by loans to customers of AMD 5,294,315 thousand (2014: AMD 3,788,941 thousand).

Bank loans and credit lines are secured by turnover in current accounts of the Organization.

Loans with a carrying amount of AMD 46,042 thousand and contractual maturity in 2016 have been disclosed as payable on demand as certain loan agreement terms and covenants have not been complied with as at 31December 2015, which gives right to the lender to demand immediate repayment of the loan as at 31 December 2015.

# 17 Debt securities issued

| | **2015 AMD'000** | **2014 AMD'000** |
|---|---|---|
| Debt securities issued | **591,149** | - |

The bonds with nominal amount of AMD 583,750 thousand are listed in Nasdaq OMX Armenia.

# 18 Share capital

## (a) Issued capital

The authorized, issued and outstanding share capital comprises 1,000,000 ordinary shares (2014: 870,000). All shares have a nominal value of AMD 1 thousand.

During 2015 130,000 ordinary shares (2014: 170,000) were issued at their nominal value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Organization.

## (b) Nature and purpose of reserves

***Revaluation reserve for available-for-sale financial assets***

The revaluation reserve for available-for-sale financial assets comprises the cumulative net change in the fair value, until the assets are derecognized or impaired.

## (c) Dividends

Dividends payable are restricted to the maximum retained earnings of the Organization, which are determined according to legislation of the Republic of Armenia.

During 2015 dividends declared and paid by the Organisation amounted to AMD 132,000 thousand (2014: AMD 172,890 thousand). Dividends per share amounted to AMD 0.132 thousand (2014: AMD 0.199 thousand).

# 19 Risk management

Management of risk is fundamental to the business of credit organizations and is an essential element of the Organization's operations. The major risks faced by the Organization are those related to market risk, credit risk and liquidity risk.

## (a) Risk management policies and procedures

The risk management policies aim to identify, analyze and manage the risks faced by the Organization, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management is responsible for monitoring and implementing risk mitigation measures and ensuring that the Organization operates within the established risk parameters. The Management is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. Management reports directly to the Board.

Credit, market and liquidity risks, both at the portfolio and transactional levels, are managed and controlled through a system of Credit Committees.

Both external and internal risk factors are identified and managed throughout the organization. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

## (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

The Organization manages its market risk by setting open position limits in relation to financial instruments, interest rate, maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management.

### *(i) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Organization is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

### *Interest rate gap analysis*

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

| **AMD'000** | **Less than 3 months** | **3-6 months** | **6-12 months** | **1-5 years** | **More than 5 years** | **Non-interest bearing** | **Carrying amount** |
|---|---|---|---|---|---|---|---|
| **31 December 2015** | | | | | | | |
| **ASSETS** | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | 82,174 | 82,174 |
| Available-for-sale financial assets | - | 8,802 | 10,108 | 251,225 | - | - | 270,135 |
| Loans to customers | 881,405 | 736,821 | 885,805 | 3,718,161 | 3,355,859 | - | 9,578,051 |
| Receivables from factoring | - | - | 70,473 | - | - | - | 70,473 |
| | **881,405** | **745,623** | **966,386** | **3,969,386** | **3,355,859** | **82,174** | **10,000,833** |
| **LIABILITIES** | | | | | | | |
| Loans and borrowings | 795,478 | 582,163 | 337,857 | 4,439,356 | 1,901,994 | - | 8,056,848 |
| Debt securities issued | 7,399 | - | 100,000 | 483,750 | - | - | 591,149 |
| | **802,877** | **582,163** | **437,857** | **4,923,106** | **1,901,994** | **-** | **8,647,997** |
| | **78,528** | **163,460** | **528,529** | **(953,720)** | **1,453,865** | **82,174** | **1,352,836** |

| **AMD'000** | **Less than 3 months** | **3-6 months** | **6-12 months** | **1-5 years** | **More than 5 years** | **Non-interest bearing** | **Carrying amount** |
|---|---|---|---|---|---|---|---|
| **31 December 2014** | | | | | | | |
| **ASSETS** | | | | | | | |
| Cash and cash equivalents | - | - | - | - | - | 39,523 | 39,523 |
| Available-for-sale financial assets | - | 153,838 | - | - | - | - | 153,838 |
| Amounts receivable under reverse repurchase agreements | 393,665 | - | - | - | - | - | 393,665 |
| Loans to customers | 736,763 | 644,362 | 1,290,422 | 2,386,072 | 2,512,635 | - | 7,570,254 |
| Receivables from factoring | - | - | 22,128 | - | - | - | 22,128 |
| | **1,130,428** | **798,200** | **1,312,550** | **2,386,072** | **2,512,635** | **39,523** | **8,179,408** |
| **LIABILITIES** | | | | | | | |
| Loans and borrowings | 1,208,682 | 1,302,776 | 494,406 | 2,674,056 | 1,828,208 | - | 7,508,128 |
| | **1,208,682** | **1,302,776** | **494,406** | **2,674,056** | **1,828,208** | **-** | **7,508,128** |
| | **(78,254)** | **(504,576)** | **818,144** | **(287,984)** | **684,427** | **39,523** | **671,280** |

### *Average effective interest rates*

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2015 and 2014.

| | **2015 Average effective interest rate, %** | | **2014 Average effective interest rate, %** | |
|---|---|---|---|---|
| | **AMD** | **USD** | **AMD** | **USD** |
| **Interest bearing assets** | | | | |
| Available-for-sale financial assets | 14.7% | - | 14.2% | - |
| Amounts receivable under reverse repurchase agreements | - | - | 22.0% | - |
| Loans to customers | 13.7% | 15.2% | 13.9% | 14.7% |
| Receivables from factoring | 4.2% | - | 5.3% | - |
| **Interest bearing liabilities** | | | | |
| Loans and borrowings | 7.8% | 9.6% | 8.1% | 10.2% |
| Debt securities issued | 15.0% | 9.5% | - | - |

These interest rates above are an approximation of the yields to maturity of these assets and liabilities, except for assets and liabilities with floating interest rates as follows:

| | **Currency** | **Nominal interest rate** | **2015 AMD'000** | **2014 AMD'000** |
|---|---|---|---|---|
| Loans from international financial institution | USD | AMD base rate + 5% | 46,042 | 138,406 |
| Loans from state non-commercial organizations | AMD | CBA refinancing rate + 2% | 574,590 | 143,782 |

### *Interest rate sensitivity analysis*

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2015 and 2014, is as follows:

| | **2015 AMD'000** | **2014 AMD'000** |
|---|---|---|
| 100 bp parallel fall | (7,782) | (1,543) |
| 100 bp parallel rise | 7,782 | 1,543 |

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial assets available-for-sale due to changes in the interest rates, based on positions existing as at 31 December 2015 and 2014 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

| | **2015** | | **2014** | |
|---|---|---|---|---|
| | **Net profit or loss AMD'000** | **Equit AMD'000** | **Net profit or loss AMD'000** | **Equity AMD'000** |
| 100 bp parallel fall | - | 2,788 | - | 370 |
| 100 bp parallel rise | - | (2,788) | - | (370) |

### *(ii) Currency risk*

The Organization has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

The following table shows the USD denominated exposure structure of financial assets and liabilities as at 31 December 2015 and 2014:

| | 2015 | 2014 |
|---|---|---|
| | **AMD'000** | **AMD'000** |
| **ASSETS** | | |
| Cash and cash equivalents except cash on hand | 8,985 | 17,914 |
| Loans to customers | 3,385,729 | 2,576,303 |
| **Total assets** | **3,394,714** | **2,594,217** |
| **LIABILITIES** | | |
| Loans and borrowings | (2,816,007) | (2,796,385) |
| Debt securities issued | (489,317) | - |
| **Total liabilities** | **(3,305,324)** | **(2,796,385)** |
| **Net position** | **89,390** | **(202,168)** |

A weakening of the AMD, as indicated below, against the USD at 31 December 2015 and 2014, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis, and is based on foreign currency exchange rate variances that the Organization considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

| | AMD'000 |
|---|---|
| **31 December 2015** | |
| 20% appreciation of USD against AMD | 17,878 |
| **31 December 2014** | |
| 20% appreciation of USD against AMD | (40,434) |

A strengthening of the AMD against the above currencies at 31 December 2015 and 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

## (c) Credit risk

Credit risk is the risk of financial loss to the Organization if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Organization has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, to actively monitor credit risk. The credit policy is reviewed and approved by the Board.

The credit policy establishes:

- procedures for reviewing and approving loan credit applications
- methodology for the credit assessment of borrowers (business loans and loans to individuals)
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Credit applications are originated by the relevant credit officers and are then passed on to the Credit Committee, which is responsible for the loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The Credit Committee reviews and approves the loan credit application.

The Organization continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognized contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | 69,046 | 37,374 |
| Available-for-sale financial assets | 270,135 | 153,838 |
| Amounts receivable under reverse repurchase agreements | - | 393,665 |
| Loans to customers | 9,578,051 | 7,570,254 |
| Receivables from factoring | 70,473 | 22,128 |
| **Total maximum exposure** | **9,987,705** | **8,177,259** |

Collateral generally is not held against claims under investments in securities, except when securities are held as part of reverse repurchase activities.

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to note 12.

The maximum exposure to credit risk from unrecognized contractual commitments at the reporting date is presented in note 21.

The maximum exposure to credit risk from receivables from disposal of investment property is presented in note 15.

As at 31 December 2015 the Organization has no debtors or groups of connected debtors (2014: nil), credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

### Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Organization's statement of financial position or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the table below unless they are offset in the statement of financial position.

The Organization receives and accepts collateral in the form of marketable securities in respect of sale and repurchase, and reverse sale and repurchase agreements.

Such collateral is subject to the standard industry terms. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transactions upon the counterparty's failure to post collateral.

The above arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Organization or the counterparties. In addition the Organization and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2015:

**AMD'000**

| Types of financial assets/liabilities | Gross amounts of recognized financial asset/liability | Gross amount of recognized financial liability/asset offset in the statement of financial position | Net amount of financial assets/liabilities presented in the statement of financial position | Related amounts not offset in the statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| Loans and borrowings | (8,056,848) | - | (8,056,848) | 5,294,315 | - | (2,762,533) |
| **Total financial liabilities** | **(8,056,848)** | **-** | **(8,056,848)** | **5,294,315** | **-** | **(2,762,533)** |

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2014:

**AMD'000**

| Types of financial assets/liabilities | Gross amounts of recognized financial asset/liability | Gross amount of recognized financial liability/asset offset in the statement of financial position | Net amount of financial assets/liabilities presented in the statement of financial position | Related amounts not offset in the statement of financial position | | Net amount |
|---|---|---|---|---|---|---|
| | | | | Financial instruments | Cash collateral received | |
| Amounts receivable under reverse repurchase agreements | 393,665 | - | 393,665 | (392,765) | - | 900 |
| **Total financial assets** | **393,665** | - | 393,665 | (392,765) | - | 900 |
| Loans and borrowings | (7,508,128) | - | (7,508,128) | 3,788,941 | - | (3,719,187) |
| **Total financial liabilities** | **(7,508,128)** | **-** | **(7,508,128)** | **3,788,941** | **-** | **(3,719,187)** |

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position on the amortized cost basis.

## (d) Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Organization maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Board.

The Organization seeks to actively support a diversified and stable funding base comprising loans from shareholder, banks and other lending institutions, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit-related commitment.

The maturity analysis for financial liabilities as at 31 December 2015 is as follows:

| AMD'000 | Demand and less than 1 month | From 1 to 3 months | From 3 to 6 months | From 6 to 12 months | More than 1 year | Total gross amount outflow | Carrying amount |
|---|---|---|---|---|---|---|---|
| **Non-derivative liabilities** | | | | | | | |
| Loans and borrowings | 118,895 | 227,863 | 747,473 | 631,557 | 8,923,015 | 10,648,803 | 8,056,848 |
| Debt securities issued | - | 15,197 | 15,030 | 130,729 | 529,706 | 690,662 | 591,149 |
| Other financial liabilities | 7,286 | 57,644 | - | 19,022 | - | 83,952 | 83,952 |
| **Total financial liabilities** | **126,181** | **300,704** | **762,503** | **781,308** | **9,452,721** | **11,423,417** | **8,731,949** |
| **Credit-related commitments** | **641,682** | **-** | **-** | **-** | **-** | **641,682** | **641,682** |

The maturity analysis for financial liabilities as at 31 December 2014 is as follows:

| AMD'000 | Demand and less than 1 month | From 1 to 3 months | From 3 to 6 months | From 6 to 12 months | More than 1 year | Total gross amount outflow | Carrying amount |
|---|---|---|---|---|---|---|---|
| **Non-derivative liabilities** | | | | | | | |
| Loans and borrowings | 348,519 | 629,355 | 1,381,887 | 639,126 | 5,839,841 | 8,838,728 | 7,508,128 |
| Other financial liabilities | - | 6,549 | - | 12,244 | - | 18,793 | 18,793 |
| **Total financial liabilities** | **348,519** | **635,904** | **1,381,887** | **651,370** | **5,839,841** | **8,857,521** | **7,526,921** |
| **Credit-related commitments** | **1,577,735** | **-** | **-** | **-** | **-** | **1,577,735** | **1,577,735** |

The table below shows an analysis, by expected maturities, of the amounts recognized in the statement of financial position as at 31 December 2015:

| AMD'000 | Demand and less than 1 month | From 1 to 3 months | From 3 to 12 months | From 1 to 5 years | More than 5 years | No maturity | Overdue | Total |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Cash and cash equivalents | 82,174 | - | - | - | - | - | - | 82,174 |
| Available-for-sale financial assets | - | - | 18,910 | 251,225 | - | - | - | 270,135 |
| Loans to customers | 378,301 | 460,958 | 1,622,626 | 3,718,161 | 3,355,859 | - | 42,146 | 9,578,051 |
| Assets held for sale | - | - | - | - | - | 57,600 | - | 57,600 |
| Property, equipment and intangible assets | - | - | - | - | - | 155,242 | - | 155,242 |
| Receivables from factoring | - | - | 70,473 | - | - | - | - | 70,473 |
| Deferred tax assets | - | - | - | - | - | 1,629 | - | 1,629 |
| Other assets | 5,602 | 2,190 | 30,079 | 26,472 | - | - | - | 64,343 |
| **Total assets** | **466,077** | **463,148** | **1,742,088** | **3,995,858** | **3,355,859** | **214,471** | **42,146** | **10,279,647** |
| **LIABILITIES** | | | | | | | | |
| Loans and borrowings | 101,709 | 119,256 | 921,501 | 4,714,412 | 2,199,970 | - | - | 8,056,848 |
| Debt securities issued | - | 7,399 | 100,000 | 483,750 | - | - | - | 591,149 |
| Payables for transferred but not derecognized loans | 6,031 | 13,627 | 67,497 | 104,152 | - | - | - | 191,307 |
| Current tax liability | 34,548 | - | - | - | - | - | - | 34,548 |
| Other liabilities | 7,286 | 57,644 | 19,022 | - | - | - | - | 83,952 |
| **Total liabilities** | **149,574** | **197,926** | **1,108,020** | **5,302,314** | **2,199,970** | **-** | **-** | **8,957,804** |
| **Net position** | **316,503** | **265,222** | **634,068** | **(1,306,456)** | **1,155,889** | **214,471** | **42,146** | **1,321,843** |

The table below shows an analysis, by expected maturities, of the amounts recognized in the statement of financial position as at 31 December 2014:

| AMD'000 | Demand and less than 1 month | From 1 to 3 months | From 3 to 12 months | From 1 to 5 years | More than 5 years | No maturity | Overdue | Total |
|---|---|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | | | |
| Cash and cash equivalents | 39,523 | - | - | - | - | - | - | 39,523 |
| Available-for-sale financial assets | - | - | 153,838 | - | - | - | - | 153,838 |
| Amounts receivable under reverse repurchase agreements | 393,665 | - | - | - | - | - | - | 393,665 |
| Loans to customers | 309,922 | 405,842 | 1,934,784 | 2,386,072 | 2,512,635 | - | 20,999 | 7,570,254 |
| Assets held for sale | - | - | - | - | - | 120,923 | - | 120,923 |
| Property, equipment and intangible assets | - | - | - | - | - | 125,306 | - | 125,306 |
| Current tax prepayment | - | - | 18,489 | - | - | - | - | 18,489 |
| Receivables from factoring | - | - | 22,128 | - | - | - | - | 22,128 |
| Other assets | 13,745 | 1,460 | 26,570 | 35,205 | - | - | - | 76,980 |
| **Total assets** | **756,855** | **407,302** | **2,155,809** | **2,421,277** | **2,512,635** | **246,229** | **20,999** | **8,521,106** |
| **LIABILITIES** | | | | | | | | |
| Loans and borrowings | 339,625 | 584,685 | 1,806,270 | 2,727,519 | 2,050,029 | - | - | 7,508,128 |
| Deferred tax liabilities | - | - | - | - | - | 943 | - | 943 |
| Other liabilities | 13,621 | 6,549 | 12,244 | - | - | - | - | 32,414 |
| **Total liabilities** | **353,246** | **591,234** | **1,818,514** | **2,727,519** | **2,050,029** | **943** | **-** | **7,541,485** |
| **Net position** | **403,609** | **(183,932)** | **337,295** | **(306,242)** | **462,606** | **245,286** | **20,999** | **979,621** |

# 20 Capital management

The Central Bank of Armenia sets and monitors capital requirements for the Organization.

The Organization defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, credit organizations conducting foreign exchange transactions in cash other than for the purpose of accepting loan repayments have to maintain a minimum share capital of AMD 600,000 thousand (AMD 600,000 thousand at 31 December 2014). The Organization is in compliance with the minimum share capital requirements as at 31 December 2015 and 2014.

As per CBA regulatory requirements which became effective in 2011, credit organizations conducting foreign exchange transactions in cash other than for the purpose of accepting loan repayments, have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2015 this minimum level is 10% (2014: 10%).

The Organization is in compliance with the statutory capital ratio as at 31 December 2015 and 2014. The calculation of statutory capital ratio based on requirements set by the CBA as at 31 December 2015 and 2014 is as follows:

| | **2015 AMD'000 Unaudited** | **2014 AMD'000 Unaudited** |
|---|---|---|
| **Core capital** | | |
| Core capital | 1,271,246 | 902,567 |
| Deductions | (5,413) | (34,984) |
| **Total core capital** | **1,265,833** | **867,583** |
| **Additional capital** | | |
| Additional capital | 4,551 | 1,479 |
| Deductions | - | - |
| **Total additional capital** | **4,551** | **1,479** |
| **Total capital** | **1,270,384** | **869,062** |
| **Total risk weighted assets** | **9,565,328** | **8,560,713** |
| **Total capital expressed as a percentage of risk-weighted assets (statutory capital ratio)** | **13.3%** | **10.2%** |

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognized contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

There were no changes in the Organization's approach to capital management during the year.

# 21 Commitments

The Organisation has outstanding credit related commitments to extend loans. These credit-related commitments take the form of approved loans.

The Organization provides financial guarantees to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to 1 year.

The Organization applies the same credit risk management policies and procedures when granting credit commitments and financial guarantees as it does for granting loans to customers.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

| | 2015 AMD'000 | 2014 AMD'000 |
|---|---|---|
| **Contracted amount** | | |
| Loan and credit line commitments | 78,458 | 116,491 |
| Guarantees | 563,224 | 1,461,244 |
| | **641,682** | **1,577,735** |

The total outstanding contractual credit related commitments above do not necessarily represent future cash requirements, as these credit related commitments may expire or terminate without being funded.

As at 31 December 2015 the Organization does not have any credit-related commitments which represent a significant credit risk exposure to the Organization.

# 22 Contingencies

## (a) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Organization does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Organization obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

## (b) Litigation

In the ordinary course of business, the Organization is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Management is unaware of any significant actual, pending or threatened claims against the Organization.

### (c) Taxation contingencies

The taxation system in the Republic of Armenia continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. In the event of a breach of tax legislation, no liabilities for additional taxes, fines or penalties may be imposed by tax authorities once three years have elapsed from the date of the breach.

These circumstances may create tax risks in the Republic of Armenia that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Armenian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

## 23 Related party transactions

### (a) Control relationships

The Organization has no party with ultimate control.

### (b) Transactions with the members of the Board and the Management

Total remuneration included in personnel expenses for the years ended 31 December is as follows:

| | **2015 AMD'000** | **2014 AMD'000** |
|---|---|---|
| Short term employee benefits | **43,984** | **35,462** |

The outstanding balances and average effective interest rates as at 31 December for transactions with the members of the Board and the Management are as follows:

| | **2015 AMD'000** | **Average effective interest rate, %** | **2014 AMD'000** | **Average effective interest rate, %** |
|---|---|---|---|---|
| **Statement of financial position** | | | | |
| Loans issued (gross) | 3,913 | 10.6% | 36,262 | 13.5% |
| Loan impairment allowance | (39) | | (435) | |

The loans are in AMD and repayable by 2018. Transactions with related parties are not secured.

Amounts included in profit or loss in relation to transactions with the members of the Board and the Management for the year ended 31 December are as follows:

| | **2015 AMD'000** | **2014 AMD'000** |
|---|---|---|
| **Profit or loss** | | |
| Interest income | 300 | 8,696 |

## (c) Transactions with shareholder

The outstanding balances and the related average interest rates as at 31 December 2015 and 2014 and related profit or loss amounts of transactions for the year ended 31 December 2015 and 2014 with the shareholder are as follows:

| | 2015 AMD'000 | Average effective interest rate, % | 2014 AMD'000 | Average effective interest rate, % |
|---|---|---|---|---|
| **Statement of financial position** | | | | |
| **LIABILITIES** | | | | |
| Loans and borrowings | | | | |
| - In USD | | | | |
| Principal balance | 1,306,125 | 11.6% | 1,424,910 | 11.0% |
| **Profit (loss)** | | | | |
| Interest expense | (153,382) | | (130,757) | |

The borrowings from the shareholder are repayable in 2018. Transactions with the shareholder are not secured.

## (d) Transactions with other related parties

Other related parties include close family members of management and entities under control of shareholders. The outstanding balances and the related average effective interest rates as at 31 December 2015 and 2014 and related profit or loss amounts of transactions for the year ended 31 December with other related parties are as follows:

| | 2015 AMD'000 | Average effective interest rate, % | 2014 AMD'000 | Average effective interest rate, % |
|---|---|---|---|---|
| **Entities under control of the shareholders** | | | | |
| **Statement of financial position** | | | | |
| **ASSETS** | | | | |
| Amounts receivable under reverse repurchase agreements | - | 11.2% | 393,665 | 22.0% |
| Other assets | 35,205 | | 63,965 | |
| **Profit (loss)** | | | | |
| Interest income | 3,505 | | 25,115 | |
| **Other related parties** | | | | |
| **Statement of financial position** | | | | |
| **ASSETS** | | | | |
| Loans to customers | | | | |
| Principal balance | 215,178 | 15.0% | 197,388 | 5.7% |
| Impairment allowance | 2,152 | | (2,369) | |
| **Profit (loss)** | | | | |
| Interest income | 21,172 | | 826 | |

# 24 Financial assets and liabilities: fair values and accounting classifications

## (a) Fair values of financial instruments

The estimated fair value of all the financial assets and liabilities approximates their carrying amounts.

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models.
Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm’s length.

## (b) Fair value hierarchy

The Organization measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2015, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position:

| **AMD’000** | **Level 1** | **Level 2** | **Total** |
|---|---|---|---|
| Available-for-sale financial assets | | | |
| - Debt instruments | - | 270,135 | 270,135 |
| | **-** | **270,135** | **270,135** |

The table below analyses financial instruments measured at fair value at 31 December 2014, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position:

| **AMD'000** | **Level 1** | **Level 2** | **Total** |
|---|---|---|---|
| Available-for-sale financial assets | | | |
| - Debt instruments | - | 153,838 | 153,838 |
| | **-** | **153,838** | **153,838** |