ACBA-CREDIT AGRICOLE BANK CJSC

Consolidated 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 of Directors
ACBA-CREDIT AGRICOLE BANK CJSC

We have audited the accompanying consolidated financial statements of ACBA-CREDIT AGRICOLE BANK CJSC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated 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 Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group 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.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2014 were audited by other auditors whose report dated 25 March 2015 expressed an unmodified opinion on those statements.

Tigran Gasparyan
Managing Partner, Director of KPMG Armenia cjsc

KPMG Armenia cjsc

KPMG Armenia cjsc
26 April 2016

	Notes	2015 AMD'000	2014 AMD'000
Interest income	4	32,226,144	30,869,142
Interest expense	4	(15,192,877)	(13,719,166)
Net interest income		**17,033,267**	**17,149,976**
Fee and commission income	5	3,265,417	2,903,945
Fee and commission expense	6	(1,252,189)	(1,092,127)
Net fee and commission income		**2,013,228**	**1,811,818**
Net gain/(loss) on financial instruments at fair value through profit or loss		3,756	(515,582)
Net foreign exchange income	7	1,487,471	2,682,236
Net gain/(loss) on available-for-sale financial assets		38,634	(1,186)
Other operating income	8	2,168,927	1,652,738
Other operating expense	9	(1,515,316)	(1,134,053)
Operating income		**21,229,967**	**21,645,947**
Impairment losses	10	(8,638,025)	(10,803,385)
Loss from revaluation of land and buildings		(590,338)	-
Personnel expenses		(6,780,965)	(5,905,326)
Other general administrative expenses	11	(4,862,894)	(4,590,567)
Profit before income tax		**357,745**	**346,669**
Income tax expense	12	(397,766)	(40,845)
(Loss)/profit for the year		**(40,021)**	**305,824**
Other (loss)/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		(180,446)	(161,615)
- Net change in fair value transferred to profit or loss		30,907	(949)
Total items that are or may be reclassified subsequently to profit or loss		*(149,539)*	*(162,564)*
Items that will never be reclassified to profit or loss:			
Revaluation of land and buildings		(319,273)	-
Total items that will never be reclassified to profit or loss		*(319,273)*	-
Other comprehensive loss for the year, net of income tax		**(468,812)**	**(162,564)**
Total comprehensive (loss)/income for the year		**(508,833)**	**143,260**
(Loss)/profit attributable to:			
- Equity holders of the Bank		(41,689)	248,391
- Non-controlling interests		1,668	57,433
(Loss)/profit for the year		**(40,021)**	**305,824**
Total comprehensive (loss)/income attributable to:			
- Equity holders of the Bank		(510,501)	85,827
- Non-controlling interests		1,668	57,433
Total comprehensive (loss)/income for the year		**(508,833)**	**143,260**

The consolidated financial statements as set out on pages 5 to 65 were approved by management on 26 April 2016 and were signed on its behalf by:

Hakob Andreasyan
Chief Executive Officer

Armen Hakobyan
Chief Accountant

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

	Notes	2015 AMD'000	2014 AMD'000
ASSETS			
Cash and cash equivalents	13	54,169,788	64,569,052
Financial instruments at fair value through profit or loss	14	-	149,303
Available-for-sale financial assets			
- Held by the Group	15	17,350,075	1,954,062
- Pledged under sale and repurchase agreements	15	2,638,083	7,253,389
Loans and advances to banks	16	1,183,304	12,984,066
Loans to customers	17	168,358,966	175,631,668
Receivables from finance leases	18	9,607,216	8,715,323
Current tax asset		1,504,741	1,179,339
Property, equipment and intangible assets	19	15,278,358	15,730,773
Investments in associate	20	243,032	276,955
Other assets	21	2,519,675	2,655,292
Total assets		**272,853,238**	**291,099,222**
LIABILITIES			
Financial instruments at fair value through profit or loss	14	51,658	-
Deposits and balances from banks		23,339	7,528
Amounts payable under repurchase agreements		2,500,627	7,007,655
Current accounts and deposits from customers	22	107,606,091	99,585,004
Other borrowed funds	23	105,504,099	128,156,410
Deferred tax liabilities	12	931,511	680,098
Other liabilities	24	2,523,785	1,369,656
Total liabilities		**219,141,110**	**236,806,351**
EQUITY			
Share capital	25	30,000,000	30,000,000
Revaluation surplus for land and buildings		2,990,119	3,888,683
Revaluation reserve for available-for-sale financial assets		427,278	576,817
Retained earnings		18,816,669	18,279,067
Total equity attributable to equity holders of the Bank		**52,234,066**	**52,744,567**
Non-controlling interests		1,478,062	1,548,304
Total equity		**53,712,128**	**54,292,871**
Total liabilities and equity		**272,853,238**	**291,099,222**

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

	Notes	2015 AMD'000	2014 AMD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		31,914,355	29,722,378
Interest payments		(15,596,891)	(13,719,166)
Fee and commission receipts		3,265,417	2,903,945
Fee and commission payments		(1,252,189)	(1,092,127)
Net receipts from financial instruments at fair value through profit or loss		3,756	23,137
Net receipts/(payments) from available-for-sale financial assets		38,634	(1,186)
Net receipts from foreign exchange		1,336,147	1,335,598
Other operating income receipts		720,364	791,939
Other operating expenses payments		(9,945,364)	(8,812,534)
(Increase)/decrease in operating assets			
Financial instruments at fair value through profit or loss		200,961	(712,157)
Loans and advances to banks		11,575,646	(732,120)
Loans to customers		263,451	(11,342,873)
Receivables from finance leases		(1,069,946)	(1,111,515)
Other assets		55,613	(181,628)
Increase/(decrease) in operating liabilities			
Deposits and balances from banks		15,811	4,944
Amounts payable under repurchase agreements		(4,507,028)	7,007,655
Current accounts and deposits from customers		8,292,065	6,210,207
Other liabilities		449,946	(17,348)
Net cash from operating activities before income tax paid		**25,760,748**	**10,277,149**
Income tax paid		(354,552)	(1,789,689)
Cash flows from operations		**25,406,196**	**8,487,460**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of available-for-sale financial assets		(12,480,637)	(4,413,144)
Sale and repayment of available-for-sale financial assets		1,699,099	2,512,260
Purchases of property, equipment and intangible assets		(1,578,736)	(1,401,906)
Sales of property, equipment and intangible assets		-	37,940
Cash flows used in investing activities		**(12,360,274)**	**(3,264,850)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts of other borrowed funds		22,556,064	30,710,462
Repayments of other borrowed funds		(45,886,159)	(40,506,660)
Dividends paid		(71,910)	-
Cash flows used in financing activities		**(23,402,005)**	**(9,796,198)**
Net decrease in cash and cash equivalents		**(10,356,083)**	**(4,573,588)**
Effect of changes in exchange rates on cash and cash equivalents		(43,181)	6,354,758
Cash and cash equivalents as at the beginning of the year		64,569,052	62,787,882
Cash and cash equivalents as at the end of the year	13	**54,169,788**	**64,569,052**

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

AMD'000	**Attributable to equity holders of the Bank**						
	Share capital	**Revaluation surplus for land and buildings**	**Revaluation reserve for available-for-sale financial assets**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2014	30,000,000	3,927,426	739,381	17,991,933	52,658,740	1,490,871	54,149,611
Total comprehensive income							
Profit for the year	-	-	-	248,391	248,391	57,433	305,824
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets, net of deferred tax	-	-	(161,615)	-	(161,615)	-	(161,615)
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of deferred tax	-	-	(949)	-	(949)	-	(949)
Total items that are or may be reclassified subsequently to profit or loss	-	-	*(162,564)*	-	*(162,564)*	-	*(162,564)*
Total other comprehensive income	-	-	(162,564)	-	(162,564)	-	(162,564)
Total comprehensive income for the year	**-**	**-**	**(162,564)**	**248,391**	**85,827**	**57,433**	**143,260**
Transfer from revaluation surplus to retained earnings	-	(38,743)	-	38,743	-	-	-
Balance as at 31 December 2014	**30,000,000**	**3,888,683**	**576,817**	**18,279,067**	**52,744,567**	**1,548,304**	**54,292,871**

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

AMD'000	**Attributable to equity holders of the Bank**						
	Share capital	**Revaluation surplus for land and buildings**	**Revaluation reserve for available-for-sale financial assets**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance as at 1 January 2015	30,000,000	3,888,683	576,817	18,279,067	52,744,567	1,548,304	54,292,871
Total comprehensive income							
Loss for the year	-	-	-	(41,689)	(41,689)	1,668	(40,021)
Other comprehensive income							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets, net of deferred tax	-	-	(180,446)	-	(180,446)	-	(180,446)
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of deferred tax	-	-	30,907	-	30,907	-	30,907
Total items that are or may be reclassified subsequently to profit or loss	-	-	*(149,539)*	-	*(149,539)*	-	*(149,539)*
Items that will never be reclassified to profit or loss:							
Revaluation of land and buildings, net of deferred tax	-	(319,273)	-	-	(319,273)	-	(319,273)
Total items that will never be reclassified to profit or loss	-	*(319,273)*	-	-	*(319,273)*	-	*(319,273)*
Total other comprehensive loss	-	(319,273)	(149,539)	-	(468,812)	-	(468,812)
Total comprehensive loss for the year	**-**	**(319,273)**	**(149,539)**	**(41,689)**	**(510,501)**	**1,668**	**(508,833)**
Transactions with owners, recorded directly in equity							
Dividends declared	-	-	-	-	-	(71,910)	(71,910)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(71,910)**	**(71,910)**
Transfer from revaluation surplus to retained earnings	-	(579,291)	-	579,291	-	-	-
Balance as at 31 December 2015	**30,000,000**	**2,990,119**	**427,278**	**18,816,669**	**52,234,066**	**1,478,062**	**53,712,128**

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

1. Background

(a) Organisation and operations

These consolidated financial statements comprise the financial statements of ACBA-CREDIT AGRICOLE BANK CJSC (the Bank) and its subsidiaries (together, the Group).

The Bank was established in the Republic of Armenia as a cooperative bank with collective ownership in 1995 and reorganized into closed joint stock company in 2006. Its principal activities are deposit taking, customer account maintenance, credit operations, issuing guarantees, cash and settlement operations, and securities and foreign exchange transactions. The Bank's activities are regulated by the Central Bank of Armenia (the CBA). The Bank has a general banking license, and is a member of the state deposit insurance system in the Republic of Armenia.

The Bank's registered office is 1 Byron Street, Yerevan 0009, Republic of Armenia.

The Bank has 56 branches and a head-office. The majority of its assets and liabilities are located in the Republic of Armenia. The principal subsidiary is as follows:

			Ownership %	
Name	**Country of incorporation**	**Principal activities**	**2015**	**2014**
ACBA Leasing UCO CJSC	Republic of Armenia	Credit organization	54%	54%

The Bank's major shareholders are: Credit Agricole S.A. (15.56%), Armavir agricultural cooperative regional union non for profit organization ("ACRU") (14.08%), Sacam International (12.44%), Ararat ACRU (12.28%), Aragatsotn ACRU (7.4%). Related party transactions are described in detail in note 31.

(b) Armenian business environment

The Group's operations are primarily located in Armenia. Consequently, the Group 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 consolidated financial statements reflect management's assessment of the impact of the Armenian business environment on the operations and financial position of the Group. The future business environment may differ from management's assessment.

2. Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value, and land and buildings are stated at revalued amounts.

(c) Functional and presentation currency

The functional currency of the Bank and its subsidiaries 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 them.

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

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

(d) Use of estimates and judgments

The preparation of consolidated 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 recognised 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:

- loan impairment estimates - note 17;
- receivables from finance leases - note 18;
- land and building revaluation estimates - note 19;
- estimates of fair values of financial assets and liabilities – note 32.

3. Significant accounting policies

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular, the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on an equity-accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest (including long-term loans) in the associate, that interest is reduced to nil and recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of the associate.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise. Unrealized gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

(iv) 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) Non-controlling interests

Non-controlling interests are the equity in a subsidiary not attributable, directly or indirectly, to the Bank.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Bank. Non-controlling interests in profit or loss and total comprehensive income are separately disclosed in the consolidated statement of profit or loss and other comprehensive income.

(c) 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 amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised 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 recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments unless the difference is due to impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the CBA and other banks. The minimum reserve deposit with the CBA is considered to be a cash equivalent due to the absence of restrictions on its withdrawability. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(e) 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 Group 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 Group 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 Group:

– 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 Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss
- the Bank 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 recognised in the statement of financial position when the Bank 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 amortised cost.

(iv) Amortised cost

The amortised 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 amortisation using the effective interest method of any difference between the initial amount recognised 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 amortised 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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group 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 Group uses valuation techniques that maximise the use of relevant observable inputs and minimise 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 Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced either 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 recognised 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 Group measures assets and long positions at the bid price and liabilities and short positions at the ask price.

The Group recognises 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 recognised as follows:

– a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss
– a gain or loss on an available-for-sale financial asset is recognised 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 derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

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

(vii) Derecognition

The Group derecognises 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 Group 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 Group is recognised as a separate asset or liability in the statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised 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 derecognised.

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

In transfers where control over the asset is retained, the Group continues to recognise 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.

If the Group purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group 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 repurchase transactions. The difference between the sale and repurchase prices represents interest expense and is recognised 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 repurchase transactions. The difference between the purchase and resale prices represents interest income and is recognised 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) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(x) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(f) Leases

The Group's lease transactions are classified as either financing or operating leases at inception in accordance with IAS 17 *Leases*.

Finance leases are leases that transfer substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The indicators for finance lease classification are:

- the lease transfers ownership of the asset to the lessee by the end of the lease term
- the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain at the inception of the lease, that the option will be exercised
- the lease term is for the major part of the economic life of the asset even if title is not transferred
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset, and
- the leased assets are of such a specialised nature that only the lessee can use them without major modifications.

The Group as a lessor initially measures finance leases at an amount equal to the net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

(g) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for land and buildings, which are stated at revalued amounts as described below.

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) Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Equipment acquired by way of finance lease is stated at the amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

(iii) Revaluation

Land and buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the buildings being revalued. A revaluation increase on a land or building is recognized as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognized in profit or loss, in which case it is recognized in profit or loss. A revaluation decrease on a land or building is recognized in profit or loss except to the extent that it reverses a previous revaluation increase recognized as other comprehensive income directly in equity, in which case it is recognized in other comprehensive income.

(iv) 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. Land is not depreciated. The estimated useful lives are as follows:

-	buildings	20 years
-	leasehold improvement	20 years
-	equipment	5 to 10 years
-	motor vehicles	5 years
-	other	5 years

(h) 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.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are 7-10 years.

(i) Impairment

The Group 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 Group 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 Group 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 related 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 its 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 Group reviews its loans and receivables to assess impairment on a regular basis.

The Group 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 Group 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. For loans to large corporates overdue more than 1 year impairment loss is recorded by directly crediting loan amount without use of allowance account for 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 related to similar borrowers. In such cases, the Group 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 Group 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 recognized 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.

(j) Provisions

A provision is recognized in the statement of financial position when the Group 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.

(k) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group 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 Group designates as financial liabilities at fair value through profit or loss
– if the Group 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.

(l) 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 Group to declare and pay dividends is subject to the rules and regulations of Armenian legislation.

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

(m) 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 following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow the manner in which the Group 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.

(n) 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. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

(o) Comparative information

Comparative information is reclassified to conform to changes in presentation in the current year.

During 2015 the Group changed its accounting policy for the presentation of the Statement of Cash Flows from indirect method to direct method. Management is of the opinion that direct method provides more relevant information.

(p) 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 consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective.

New or amended standard	**Summary of the requirements**	**Possible impact on consolidated 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. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9.
IFRS 16 *Leases*	IFRS 16 replaces the existing lease accounting guidance in IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice - i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* is also adopted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.
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 Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4. Net interest income

	2015 AMD'000	2014 AMD'000
Interest income		
Loans to customers	29,582,324	28,737,100
Available-for-sale financial assets	1,362,762	699,325
Receivables from finance leases	1,003,883	949,899
Other	277,175	482,818
	32,226,144	**30,869,142**
Interest expense		
Other borrowed funds	9,231,228	9,155,876
Current accounts and deposits from customers	4,740,811	4,338,911
Amounts payable under repurchase agreements	1,138,253	81,392
Other	82,585	142,987
	15,192,877	**13,719,166**

Included within various line items under interest income for the year ended 31 December 2015 is a total of AMD 1,703,118 thousand (2014: AMD 1,730,924 thousand) accrued on impaired financial assets.

5. Fee and commission income

	2015 AMD'000	2014 AMD'000
Credit card maintenance	1,740,463	1,556,243
Money transfers	528,504	516,608
Cash withdrawal services	154,995	140,945
Account services	409,193	389,706
Other	432,262	300,443
	3,265,417	**2,903,945**

6. Fee and commission expense

	2015 AMD'000	2014 AMD'000
Credit card maintenance	987,229	882,011
Other	264,960	210,116
	1,252,189	**1,092,127**

7. Net foreign exchange income

	2015 AMD'000	2014 AMD'000
Net gain from foreign exchange trading activities	1,336,147	1,335,598
Net gain from foreign exchange revaluation	151,324	1,346,638
	1,487,471	**2,682,236**

8. Other operating income

	2015 AMD'000	2014 AMD'000
Fines and penalties received	1,875,455	1,445,648
Other	293,472	207,090
	2,168,927	**1,652,738**

9. Other operating expense

	2015 AMD'000	2014 AMD'000
Taxes other than on income	726,284	597,476
Loss on disposal of leased property	146,481	68,658
Cash collection expenses	117,597	123,221
Fines and penalties paid	59,038	2,395
Loss from operations of associate	41,749	108,457
Net other expenses	424,167	233,846
	1,515,316	**1,134,053**

10. Impairment losses

	2015 AMD'000	2014 AMD'000
Loans to customers	8,433,246	10,751,412
Receivables from finance leases	173,570	20,421
Other	31,209	31,552
	8,638,025	**10,803,385**

11. Other general administrative expenses

	2015 AMD’000	2014 AMD’000
Depreciation and amortisation	1,628,178	1,683,359
Repairs and maintenance	590,338	520,246
Advertising and marketing	564,014	634,134
Operating lease expense	412,572	338,206
Security	305,717	282,623
Communications	294,128	271,613
Utilities and office supplies	253,446	181,801
Charity	224,465	83,434
Representative expenses	132,948	91,612
Insurance	126,163	118,994
Other	330,925	384,545
	4,862,894	**4,590,567**

12. Income tax expense

	2015 AMD’000	2014 AMD’000
Current year tax expense	29,150	70,073
Origination and reversal of temporary differences	368,616	(29,228)
Total income tax expense	**397,766**	**40,845**

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 income tax	357,745		346,669	
Income tax at the applicable tax rate	71,549	20%	69,334	20%
Non-deductible costs/(non-taxable income)	326,217	91%	(28,489)	(8%)
	397,766	**111%**	**40,845**	**12%**

(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 liabilities as at 31 December 2015 and 2014.

The deductible temporary differences do not expire under current tax legislation. Tax loss carry-forwards expire in 2019.

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	(142,746)	497	37,385	(104,864)
Investments in associates	23,009	(23,009)	-	-
Loans and advances to banks	(64,082)	43,540	-	(20,542)
Loans to customers	(579,726)	(225,299)	-	(805,025)
Receivables from finance lease	4,620	(49,963)	-	(45,343)
Property, equipment and intangible assets	(646,273)	235,191	79,818	(331,264)
Other borrowed funds	(1,136)	(73,531)	-	(74,667)
Other liabilities	21,173	9,591	-	30,764
Tax loss carry-forwards	705,063	(285,633)	-	419,430
	(680,098)	**(368,616)**	**117,203**	**(931,511)**

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	(183,572)	-	40,826	(142,746)
Investments in associates	-	23,193	(184)	23,009
Loans and advances to banks	(64,385)	303	-	(64,082)
Loans to customers	83,500	(663,226)	-	(579,726)
Receivables from finance lease	7,251	(2,631)	-	4,620
Property, equipment and intangible assets	(698,798)	52,525	-	(646,273)
Other borrowed funds	55,732	(56,868)	-	(1,136)
Other liabilities	50,304	(29,131)	-	21,173
Tax loss carry-forwards	-	705,063	-	705,063
	(749,968)	**29,228**	**40,642**	**(680,098)**

(b) Income tax recognized in other comprehensive income

The tax effects related 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 benefit**	**Amount net-of-tax**	**Amount before tax**	**Tax benefit**	**Amount net-of-tax**
Revaluation of land and buildings	(399,091)	79,818	(319,273)	-	-	-
Net change in fair value of available-for-sale financial assets	(186,923)	37,385	(149,538)	(203,206)	40,642	(162,564)

13. Cash and cash equivalents

	2015 AMD'000	2014 AMD'000
Cash on hand	10,848,358	9,645,111
Nostro accounts with the CBA	30,978,385	42,970,695
Nostro accounts with other banks		
- rated A- to A+	9,503,149	3,566,801
- rated BBB- to BBB+	2,638,566	5,097,389
- rated BB- to BB+	120,076	359,815
- rated below B+	6,106	10,113
- not rated	75,148	68,884
Total nostro accounts with other banks	**12,343,045**	**9,103,002**
Cash equivalents		
Term deposits with other banks		
- rated A- to A+	**-**	**2,850,244**
Total cash and cash equivalents	**54,169,788**	**64,569,052**

No cash and cash equivalents are impaired or past due.

The Group uses credit ratings per Fitch in disclosing credit quality.

As at 31 December 2015 and 2014 the Group has no bank with the exception of the CBA (2014: nil), whose balances exceed 10% of equity.

As at 31 December 2015 and 2014 the balances with the CBA exceed 10% of equity.

14. Financial instruments at fair value through profit or loss

ASSETS	2015 AMD'000	2014 AMD'000
Derivative financial instruments		
- Foreign currency contracts	-	149,303
	-	**149,303**
LIABILITIES		
Derivative financial instruments		
- Interest rate swap	5,262	-
- Foreign currency contracts	46,396	-
	51,658	-

Financial instruments at fair value through profit or loss comprise financial instruments held for trading.

No financial assets at fair value through profit or loss are impaired or past due.

Foreign currency contracts

The table below summarises, by major currencies, the contractual amounts of forward exchange contracts outstanding at 31 December, with details of the weighted average contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates in effect at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, together with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount		Weighted average contractual exchange rates	
	2015 AMD'000	2014 AMD'000	2015	2014
Sell USD buy RUB				
Less than 3 months	227,553	-	73.14	-
Sell USD buy EUR				
Less than 3 months	1,586,070	-	1.13	-
Buy USD sell AMD				
Less than 3 months	-	1,187,425	-	419.37
	1,813,623	**1,187,425**		

15. Available-for-sale financial assets

	2015 AMD'000	2014 AMD'000
Held by the Group		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	16,066,103	1,070,416
- Corporate bonds		
International Finance Corporation	214,920	-
Equity instruments		
- Quoted equity securities - international companies	987,840	819,828
- Unquoted equity securities at cost - local companies	81,212	63,818
	17,350,075	**1,954,062**
Pledged under sale and repurchase agreements		
Debt and other fixed-income instruments		
- Government bonds		
- Government securities of the Republic of Armenia	2,638,083	7,034,591
- Corporate bonds		
- International financial institutions	-	218,798
	2,638,083	**7,253,389**

None of available-for-sale financial assets are impaired or past due.

The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of any default by the Group, but the counterparty has an obligation to return the securities when the contract matures. The Group has determined that it retains substantially all the risks and rewards related to these securities and therefore has not derecognized them. These securities are presented as "pledged under sale and repurchase agreements". The cash received is recognized as a financial asset and a financial liability is recognized for the obligation to repay the purchase price for this collateral, and is included in amounts payable under repurchase agreements.

These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities.

(a) Investments without a determinable fair value

Available-for-sale investments stated at cost comprise unquoted equity securities in the money transfer and financial services industry. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows in this industry.

16. Loans and advances to banks

	2015 AMD'000	2014 AMD'000
Credit card settlement deposit with the CBA	510,000	510,000
Loans and advances with other banks		
Largest 10 Armenian banks	-	7,590,281
Foreign banks	455,671	281,161
Other Armenian banks	-	4,327,984
Regular way purchase agreements - foreign exchange spot transactions	1,065	89,825
Other	216,568	184,815
Total loans and advances to banks	**1,183,304**	**12,984,066**

None of loans and advances to banks are impaired or past due.

The credit card settlement deposit with the CBA is a non-interest bearing deposit calculated in accordance with regulations issued by the CBA and whose withdrawability is restricted.

(a) Concentration of loans and advances to banks

As at 31 December 2015 the Group has no banks (2014: no bank), whose balances exceed 10% of equity.

17. Loans to customers

	2015 AMD'000	2014 AMD'000
Loans to corporate customers		
Loans to large corporates	28,086,506	40,649,686
Loans to small- and medium-sized companies	24,705,329	26,769,665
Total loans to corporate customers	**52,791,835**	**67,419,351**
Loans to retail customers		
Agricultural loans	67,251,487	62,413,157
Consumer loans	29,408,536	33,668,663
Credit cards	13,280,332	9,445,719
Mortgage loans	6,924,885	6,381,905
Gold-secured loans	5,452,064	6,385,018
Total loans to retail customers	**122,317,304**	**118,294,462**
Gross loans to customers	**175,109,139**	**185,713,813**
Impairment allowance	(6,750,173)	(10,082,145)
Net loans to customers	**168,358,966**	**175,631,668**

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

	Loans to corporate customers AMD'000	Loans to retail customers AMD'000	Total AMD'000
Balance at the beginning of the year	8,878,636	1,203,509	10,082,145
Net charge	5,468,442	2,964,804	8,433,246
Write-offs	(10,782,641)	(982,577)	(11,765,218)
Balance at the end of the year	**3,564,437**	**3,185,736**	**6,750,173**

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

	Loans to corporate customers AMD'000	Loans to retail customers AMD'000	Total AMD'000
Balance at the beginning of the year	2,096,434	1,070,279	3,166,713
Net charge	7,963,780	2,787,632	10,751,412
Write-offs	(1,181,578)	(2,654,402)	(3,835,980)
Balance at the end of the year	**8,878,636**	**1,203,509**	**10,082,145**

(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, %
Loans to corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	18,352,139	183,521	18,168,618	1.0%
Overdue or impaired loans:				
- not overdue	5,944,951	2,253,668	3,691,283	37.9%
- overdue less than 90 days	186,989	20,149	166,840	10.8%
- overdue more than 90 days and less than 180 days	253,414	190,354	63,060	75.1%
- overdue more than 1 year	3,349,013	-	3,349,013	0.0%
Total overdue or impaired loans	9,734,367	2,464,171	7,270,196	25.3%
Total loans to large corporates	**28,086,506**	**2,647,692**	**25,438,814**	**9.4%**
Loans to small- and medium-sized companies				
Loans without individual signs of impairment	22,166,803	212,554	21,954,249	1.0%
Overdue or impaired loans:				
- not overdue	609,238	4,506	604,732	0.7%
- overdue less than 90 days	784,571	198,808	585,763	25.3%
- overdue more than 90 days and less than 180 days	589,050	74,118	514,932	12.6%
- overdue more than 180 days and less than 1 year	555,667	426,759	128,908	76.8%
Total overdue or impaired loans	2,538,526	704,191	1,834,335	27.7%
Total loans to small and medium-sized companies	**24,705,329**	**916,745**	**23,788,584**	**3.7%**
Total loans to corporate customers	**52,791,835**	**3,564,437**	**49,227,398**	**6.8%**

	Gross loans AMD'000	Impairment allowance AMD'000	Net loans AMD'000	Impairment allowance to gross loans, %
Loans to retail customers				
Agricultural loans				
- not overdue	63,353,267	181,212	63,172,055	0.3%
- overdue less than 30 days	170,860	52,736	118,124	30.9%
- overdue 31-90 days	2,797,164	1,549,499	1,247,665	55.4%
- overdue 91-180 days	837,455	626,703	210,752	74.8%
- overdue 181-270 days	92,741	84,753	7,988	91.4%
Total agricultural loans	**67,251,487**	**2,494,903**	**64,756,584**	**3.7%**
Consumer loans				
- not overdue	28,875,344	44,291	28,831,053	0.2%
- overdue less than 30 days	188,605	23,907	164,698	12.7%
- overdue 31-90 days	162,563	77,349	85,214	47.6%
- overdue 91-180 days	109,720	85,612	24,108	78.0%
- overdue 181-270 days	72,304	67,517	4,787	93.4%
Total consumer loans	**29,408,536**	**298,676**	**29,109,860**	**1.0%**
Credit cards				
- not overdue	12,888,070	46,404	12,841,666	0.4%
- overdue less than 30 days	163,739	35,796	127,943	21.9%
- overdue 31-90 days	81,597	47,358	34,239	58.0%
- overdue 91-180 days	114,299	93,975	20,324	82.2%
- overdue 181-270 days	32,627	30,752	1,875	94.3%
Total credit cards	**13,280,332**	**254,285**	**13,026,047**	**1.9%**
Mortgage loans				
- not overdue	6,783,233	53,504	6,729,729	0.8%
- overdue less than 30 days	53,954	4,619	49,335	8.6%
- overdue 31-90 days	60,727	9,351	51,376	15.4%
- overdue 91-180 days	16,112	3,931	12,181	24.4%
- overdue 181-270 days	10,859	2,950	7,909	27.2%
Total mortgage loans	**6,924,885**	**74,355**	**6,850,530**	**1.1%**
Gold-secured loans				
- not overdue	5,390,017	31,417	5,358,600	0.6%
- overdue less than 30 days	14,564	4,249	10,315	29.2%
- overdue 31-90 days	13,365	6,125	7,240	45.8%
- overdue 91-180 days	29,656	18,133	11,523	61.1%
- overdue 181-270 days	4,462	3,593	869	80.5%
Total gold-secured loans	**5,452,064**	**63,517**	**5,388,547**	**1.2%**
Total loans to retail customers	**122,317,304**	**3,185,736**	**119,131,568**	**2.6%**
Total loans to customers	**175,109,139**	**6,750,173**	**168,358,966**	**3.9%**

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, %
Loans to corporate customers				
Loans to large corporates				
Loans without individual signs of impairment	21,947,070	209,918	21,737,152	1.00%
Overdue or impaired loans:				
- not overdue	4,370,061	2,558,387	1,811,674	58.5%
- overdue less than 90 days	7,942,498	1,798,200	6,144,298	22.6%
- overdue more than 90 days and less than 180 days	343,346	190,611	152,735	55.5%
- overdue more than 180 days and less than 1 year	5,430,749	2,715,154	2,715,595	50.0%
- overdue more than 1 year	615,962	326,106	289,856	52.9%
Total overdue or impaired loans	18,702,616	7,588,458	11,114,158	40.6%
Total loans to large corporates	**40,649,686**	**7,798,376**	**32,851,310**	**19.2%**
Loans to small- and medium-sized companies				
Loans without individual signs of impairment	22,861,188	226,843	22,634,345	1.0%
Overdue or impaired loans:				
- not overdue	1,393,445	286,673	1,106,772	20.6%
- overdue less than 90 days	985,265	101,021	884,244	10.3%
- overdue more than 90 days and less than 180 days	924,238	265,995	658,243	28.8%
- overdue more than 180 days and less than 1 year	49,884	27,830	22,054	55.8%
- overdue more than 1 year	555,645	171,898	383,747	30.9%
Total overdue or impaired loans	3,908,477	853,417	3,055,060	21.8%
Total loans to small- and medium-sized companies	**26,769,665**	**1,080,260**	**25,689,405**	**4.0%**
Total loans to corporate customers	**67,419,351**	**8,878,636**	**58,540,715**	**13.2%**
Loans to retail customers				
Agricultural loans				
- not overdue	60,959,260	121,919	60,837,341	0.2%
- overdue less than 30 days	166,388	40,445	125,943	24.3%
- overdue 31-90 days	1,089,336	419,574	669,762	38.5%
- overdue 91-180 days	155,517	70,576	84,941	45.4%
- overdue 181-270 days	42,656	26,521	16,135	62.2%
Total agricultural loans	**62,413,157**	**679,035**	**61,734,122**	**1.1%**
Consumer loans				
- not overdue	33,320,874	66,642	33,254,232	0.2%
- overdue less than 30 days	146,363	17,818	128,545	12.2%
- overdue 31-90 days	160,670	76,006	84,664	47.3%
- overdue 91-180 days	38,230	28,054	10,176	73.4%
- overdue 181-270 days	2,526	2,300	226	91.1%
Total consumer loans	**33,668,663**	**190,820**	**33,477,843**	**0.6%**

	Gross loans AMD'000	Impairment allowance AMD'000	Net loans AMD'000	Impairment allowance to gross loans, %
Credit cards				
- not overdue	9,126,161	36,505	9,089,656	0.4%
- overdue less than 30 days	125,187	27,040	98,147	21.6%
- overdue 31-90 days	152,476	72,675	79,801	47.7%
- overdue 91-180 days	40,061	31,057	9,004	77.5%
- overdue 181-270 days	1,834	1,699	135	92.6%
Total credit cards	**9,445,719**	**168,976**	**9,276,743**	**1.8%**
Mortgage loans				
- not overdue	6,177,966	49,499	6,128,467	0.8%
- overdue less than 30 days	150,071	23,190	126,881	15.5%
- overdue 31-90 days	42,964	12,057	30,907	28.1%
- overdue 91-180 days	10,904	4,268	6,636	39.1%
Total mortgage loans	**6,381,905**	**89,014**	**6,292,891**	**1.4%**
Gold-secured loans				
- not overdue	6,300,245	37,844	6,262,401	0.6%
- overdue less than 30 days	27,467	7,888	19,579	28.7%
- overdue 31-90 days	39,430	17,984	21,446	45.6%
- overdue 91-180 days	13,135	8,078	5,057	61.5%
- overdue 181-270 days	4,741	3,870	871	81.6%
Total gold-secured loans	**6,385,018**	**75,664**	**6,309,354**	**1.2%**
Total loans to retail customers	**118,294,462**	**1,203,509**	**117,090,953**	**1.0%**
Total loans to customers	**185,713,813**	**10,082,145**	**175,631,668**	**5.4%**

b) Key assumptions and judgments for estimating loan impairment

(i) Loans to corporate customers

The Group estimates loan impairment for loans to corporate customers 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 has been identified.

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

- historic annual loss rate of 1%;
- a discount of between 10% and 80% to the originally appraised value if the property pledged is sold;
- a delay of 12 to 36 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 loans to corporate customers at 31 December 2015 would be AMD 492,274 thousand lower/higher (2014: AMD 585,407 thousand).

(ii) Loans to retail customers

The Bank 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:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 24 months;
- historic annual loss rate of 0.8% applied in respect of non-overdue mortgage loans.

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 corporate customers at 31 December 2015 would be AMD 3,573,947 thousand lower/higher (2014: AMD 3,512,729 thousand lower/higher).

(c) Analysis of collateral and other credit enhancements

(i) Loans to corporate customers

Loans to corporate customers are subject to individual credit appraisal and impairment testing. The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of the loan extended to it. However, collateral provides additional security and the Bank generally requests corporate borrowers to provide it.

The following tables provides information on the nature of collateral and other credit enhancements securing loans to corporate customers, net of impairment:

31 December 2015 **AMD'000**	**Loans to customers, carrying amount**
Loans without individual signs of impairment	
Real estate	31,584,705
Balance on current account, non-restricted	4,176,468
Motor vehicles	328,946
Equipment	571,272
Inventory	223,200
Corporate guarantees	981,461
No collateral	2,256,815
Total loans without individual signs of impairment	40,122,867
Overdue or impaired loans	
Real estate	8,564,770
Motor vehicles	8,169
Equipment	62,400
Inventory	320,575
Corporate guarantees	62,440
No collateral	86,177
Total overdue or impaired loans	9,104,531
Total loans to corporate customers	**49,227,398**

31 December 2014 **AMD'000**	**Loans to customers, carrying amount**
Loans without individual signs of impairment	
Real estate	34,340,618
Balance on current account, non-restricted	3,874,548
Motor vehicles	826,976
Equipment	1,632,364
Inventory	184,106
Corporate guarantee	530,336
No collateral	2,982,549
Total loans without individual signs of impairment	44,371,497
Overdue or impaired loans	
Real estate	13,965,683
Motor vehicles	14,953
Equipment	56,039
Corporate guarantees	39,153
No collateral	93,390
Total overdue or impaired loans	14,169,218
Total loans to corporate customers	**58,540,715**

Management estimates that the fair value of collateral securing overdue or impaired loans to corporate customers is not less than the carrying amount of individual loans.

The Bank has loans, for which the fair value of collateral was assessed at the loan inception date and it was not updated for further changes. For certain loans the fair value of collateral is updated as at the reporting date.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

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

(ii) Loans to retail customers

Consumer loans and credit card overdrafts are mainly unsecured.

Approximately 18% of consumer loans are secured by real estate, 31% are secured purchased consumer goods, 47% are secured by guarantees.

Mortgage loans are secured by the underlying housing real estate. The Group's policy is to issue mortgage loans with a loan-to-value ratio at the date of loan issuance of a maximum of 70%. 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.

The Group's policy is to ensure gold-secured loans with a loan-to-value ratio of a maximum 100%.

Agricultural loans are secured by real estate or by individual guarantees of the members of a group of borrowers.

The fair values of the collaterals were estimated at the 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 Group obtained certain assets by taking possession of collateral for loans to customers. As at 31 December 2015 and 2014, the repossessed collateral comprises:

	2015 AMD'000	**2014 AMD'000**
Total repossessed collateral - real estate	**755,841**	**823,942**

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

(d) Assets under lien

As at 31 December 2015, loans to customers with a gross value of AMD 32,891,453 thousand (2014: AMD 33,789,363 thousand) serve as collateral for other borrowed funds (see note 23).

(e) 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	17,411,469	20,828,170
Food and beverage	10,450,242	9,940,530
Energy	7,623,496	7,682,254
Fish planting	1,746,993	7,224,512
Services	5,708,007	5,782,225
Construction	4,986,460	6,658,168
Manufacturing	1,881,756	5,360,275
Transportation	1,780,526	2,477,530
Agriculture	376,542	193,942
Other	826,344	1,271,745
Loans to retail customers	122,317,304	118,294,462
	175,109,139	**185,713,813**
Impairment allowance	(6,750,173)	(10,082,145)
	168,358,966	**175,631,668**

(f) Significant credit exposures

As at 31 December 2015, the Group has no net loan balance (2014: none), exceeding 10% of equity.

(g) Loan maturities

The maturity of the loan portfolio is presented in note 26 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

18. Receivables from finance leases

	2015 AMD'000	2014 AMD'000
Less than one year	4,155,544	3,634,991
Between one and five years	7,364,591	6,977,468
More than five years	96,688	75,882
Minimum lease payments	**11,616,823**	**10,688,341**
Less than one year	(793,965)	(777,451)
Between one and five years	(942,445)	(1,022,441)
More than five years	(14,346)	(2,553)
Less: unearned finance income	**(1,750,756)**	**(1,802,445)**
The net investment in finance leases	**9,866,067**	**8,885,896**
Less impairment allowance	(258,851)	(170,573)
Net investment in finance lease	**9,607,216**	**8,715,323**

As at 31 December 2015 the Group has no customers whose balances exceed 10% of equity (2014: nil).

As at 31 December 2015 total overdue or impaired receivables from finance leases AMD 497,503 thousand (2014: AMD 441,732 thousand).

(a) Finance lease maturities

The maturity of the Group's finance lease portfolio is presented in note 26 (d), which shows the remaining period from the reporting date to the contractual maturity of the receivables from finance leases.

19. Property, equipment and intangible assets

AMD'000	Land and buildings	Leasehold improvement	Equipment	Fixtures and fittings	Motor vehicles	Goodwill	Other intangible assets	Total
Cost/revalued amount								
Balance at 1 January 2015	13,744,639	246,539	4,570,073	2,091,306	413,499	18,132	1,500,472	22,584,660
Additions	83,371	163,672	265,852	257,373	74,811	-	1,345,117	2,190,196
Disposals	-	-	(3,775)	(20,906)	(13,223)	-	(906,379)	(944,283)
Elimination of accumulated depreciation	(3,036,083)	-	-	-	-	-	-	(3,036,083)
Revaluation	(989,429)	-	-	-	-	-	-	(989,429)
Balance at 31 December 2015	**9,802,498**	**410,211**	**4,832,150**	**2,327,773**	**475,087**	**18,132**	**1,939,210**	**19,805,061**
Depreciation and amortization								
Balance at 1 January 2015	2,446,834	6,627	2,012,717	1,106,906	330,297	-	950,506	6,853,887
Depreciation and amortisation for the year	589,249	14,351	481,707	266,678	37,287	-	238,906	1,628,178
Disposals	-	-	(3,650)	(17,091)	(13,223)	-	(885,315)	(919,279)
Elimination of accumulated depreciation	(3,036,083)	-	-	-	-	-	-	(3,036,083)
Balance at 31 December 2015	**-**	**20,978**	**2,490,774**	**1,356,493**	**354,361**	**-**	**304,097**	**4,526,703**
Carrying amount								
At 31 December 2015	**9,802,498**	**389,233**	**2,341,376**	**971,280**	**120,726**	**18,132**	**1,635,113**	**15,278,358**

AMD'000	Land and buildings	Leasehold improvement	Equipment	Fixtures and fittings	Motor vehicles	Goodwill	Other intangible assets	Total
Cost/revalued amount								
Balance at 1 January 2014	13,714,954	40,030	4,084,643	1,698,307	381,291	18,132	1,395,908	21,333,265
Additions	74,770	206,509	553,661	403,002	40,208	-	123,756	1,401,906
Disposals	(45,085)	-	(68,231)	(10,003)	(8,000)	-	(19,192)	(150,511)
Balance at 31 December 2014	**13,744,639**	**246,539**	**4,570,073**	**2,091,306**	**413,499**	**-**	**1,500,472**	**22,584,660**
Depreciation and amortization								
Balance at 1 January 2014	1,878,724	814	1,575,212	805,401	265,854	-	741,315	5,267,320
Depreciation and amortization for the year	571,699	5,813	494,746	310,731	72,231	-	228,139	1,683,359
Disposals	(3,589)	-	(57,241)	(9,226)	(7,788)	-	(18,948)	(96,792)
Balance at 31 December 2014	**2,446,834**	**6,627**	**2,012,717**	**1,106,906**	**330,297**	**-**	**950,506**	**6,853,887**
Carrying amount								
At 31 December 2014	**11,297,805**	**239,912**	**2,557,356**	**984,400**	**83,202**	**18,132**	**549,966**	**15,730,773**

Revalued assets

At 31 December 2015 land and buildings are revalued based on the results of an independent appraisal performed by Tosp LLC. The basis used for the appraisal is mainly the market approach which is based on an analysis of the results of comparable sales or asking prices of similar assets with the values adjusted up to 20% for location and conditions.

The fair value of land and buildings is categorized into Level 3 of the fair value hierarchy, because of significant unobservable adjustments (coefficients) to observable inputs to the valuation technique used.

The carrying value of land and buildings as at 31 December 2015, if the buildings would not have been revalued, would be AMD 7,791,472 thousand (2014: AMD 8,113,577 thousand).

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

20. Investments in associate

The Group has an interest in Amundi-Acba Asset management cjsc where the group owns 49% of shares (31 December 2014: 49%). The Group has determined that it has significant influence in the company because it has representation on the Board of the investee.

21. Other assets

	2015 AMD'000	2014 AMD'000
Advances paid to leased property suppliers	313,246	412,241
Other receivables	783,463	498,073
Total other financial assets	**1,096,709**	**910,314**
Repossessed assets	755,841	823,942
Prepayments to suppliers	200,683	149,106
Small value items	134,391	347,521
Returned leased property	112,217	304,534
Other	219,834	119,875
Total other non-financial assets	**1,422,966**	**1,744,978**
Total other assets	**2,519,675**	**2,655,292**

22. Current accounts and deposits from customers

	2015 AMD'000	2014 AMD'000
Current accounts and demand deposits		
- Retail	14,285,512	12,824,365
- Corporate	16,424,955	14,271,215
Term deposits		
- Retail	64,063,244	62,492,001
- Corporate	12,832,380	9,997,423
	107,606,091	**99,585,004**

As at 31 December 2015, the Group maintained customer deposit balances of AMD 2,151,273 thousand (2014: AMD 2,577,255 thousand) that serve as collateral for loans and unrecognised credit instruments granted by the Group.

As at 31 December 2015, the Group has one customer (2014: no customers), whose balances exceed 10% of equity. The gross value this balance as at 31 December 2015 is AMD 10,603,823 thousand.

23. Other borrowed funds

	2015 AMD'000	2014 AMD'000
Borrowings from international financial institutions	71,216,703	92,220,629
Borrowings from CBA for local and international projects	33,633,214	35,766,297
Borrowings from local financial institutions	654,182	169,484
	105,504,099	**128,156,410**

As at 31 December 2015, loans to customers with a gross value of AMD 32,891,453 thousand (2014: AMD 33,789,363 thousand) serve as collateral for secured borrowings from RA Government and Armenian financial institutions (see note 17).

As at 31 December 2015 the Group has other borrowed funds from six lenders (2014: seven lenders), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2015 is AMD 91,385,002 thousand (2014: AMD 110,426,774 thousand).

Breach of covenants

The Bank's subsidiary breached one of its maximum covenant thresholds under agreement with one of the lenders. The carrying amount of the borrowing is AMD 3,890,399 thousand. In addition, the breach of covenant triggered cross-default under agreements with other lenders. Accordingly, borrowings from international financial institutions of AMD 7,908,322 thousand are classified as being due on demand and less than one month in the interest rate gap, liquidity and maturity analysis.

As of the date these financial statements were authorised for issue the subsidiary obtained waiver from the lender in relation to the breached covenant.

24. Other liabilities

	2015 AMD'000	2014 AMD'000
Other financial liabilities	1,512,490	546,850
Total other financial liabilities	**1,512,490**	**546,850**
Taxes payable other than on income	510,240	343,658
Payables to employees	341,336	271,019
Prepayments	159,719	208,129
Total other non-financial liabilities	**1,011,295**	**822,806**
Total other liabilities	**2,523,785**	**1,369,656**

25. Share capital and reserves

(a) Issued capital

The authorized, issued and outstanding share capital comprises 2,500 ordinary shares (2014: 2,500 ordinary shares) with a par value of AMD 12,000 thousand each.

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 annual and general meetings of the Group.

(b) Nature and purpose of reserves

Revaluation surplus for land and buildings

The revaluation surplus for land and buildings comprises the cumulative positive revalued value of buildings after depreciation transfer to retained earnings, until the assets are derecognized or impaired.

(c) 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.

a) Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to Armenian legislation.

26. Risk management

(a) Risk management policies and procedures

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

The risk management policies aim to identify, analyze and manage the risks faced by the Group, 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 of Directors 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 Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Group operates within established risk parameters. The Head of the Risk Management Department 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. He reports directly to the Chairman of Management Board and indirectly to the Board of Directors.

Credit, market and liquidity risks, both at the portfolio and transactional levels, are managed and controlled through a system of Risk, Credit and Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Bank established a hierarchy of credit committees, depending on the type and amount of the exposure.

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. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their respective areas of expertise.

(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, while optimizing the return on risk.

Overall authority for market risk is vested in the Risk, Credit ALCO. Market risk limits are approved by the ALCO, based on recommendations of the Risk Management Department.

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

(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 Group 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	2,563,237	-	-	-	-	51,606,551	54,169,788
Available-for-sale financial assets	396,985	1,770,835	759,018	15,963,814	28,454	1,069,052	19,988,158
Loans and advances to banks	-	-	-	-	-	1,183,304	1,183,304
Loans to customers	15,246,625	20,795,661	45,456,077	81,282,190	5,578,413	-	168,358,966
Receivables from finance leases	850,998	803,549	1,621,746	6,250,763	80,160	-	9,607,216
	19,057,845	**23,370,045**	**47,836,841**	**103,496,767**	**5,687,027**	**53,858,907**	**253,307,432**
LIABILITIES							
Financial instruments at fair value through profit or loss	-	-	-	-	-	(51,658)	(51,658)
Deposits and balances from banks	-	-	-	-	-	(23,339)	(23,339)
Amounts payable under repurchase agreements	(2,500,627)	-	-	-	-	-	(2,500,627)
Current accounts and deposits from customers	(27,696,338)	(14,670,290)	(26,115,077)	(6,942,708)	(1,471,210)	(30,710,468)	(107,606,091)
Other borrowed funds	(36,314,533)	(21,257,203)	(14,472,034)	(31,745,774)	(1,714,555)	-	(105,504,099)
	(66,511,498)	**(35,927,493)**	**(40,587,111)**	**(38,688,482)**	**(3,185,765)**	**(30,785,465)**	**(215,685,814)**
Net position	**(47,453,653)**	**(12,557,448)**	**7,249,730**	**64,808,285**	**2,501,262**	**23,073,442**	**37,621,618**

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	4,557,087	-	-	-	-	60,011,965	64,569,052
Financial instruments at fair value through profit or loss	-	-	-	-	-	149,303	149,303
Available-for-sale financial assets	111,771	584,737	305,821	4,927,312	2,394,164	883,646	9,207,451
Loans and advances to banks	9,545,625	2,421,699	-	-	-	1,016,742	12,984,066
Loans to customers	15,930,439	16,903,093	45,721,043	90,842,943	6,234,150	-	175,631,668
Receivables from finance leases	817,446	650,100	1,334,250	5,841,538	71,989	-	8,715,323
	30,962,368	**20,559,629**	**47,361,114**	**101,611,793**	**8,700,303**	**62,061,656**	**271,256,863**
LIABILITIES							
Deposits and balances from banks	-	-	-	-	-	(7,528)	(7,528)
Amounts payable under repurchase agreements	(7,007,655)	-	-	-	-	-	(7,007,655)
Current accounts and deposits from customers	(25,592,028)	(12,887,165)	(24,575,297)	(9,434,934)	-	(27,095,580)	(99,585,004)
Other borrowed funds	(40,600,631)	(23,435,903)	(17,764,799)	(46,255,622)	(99,455)	-	(128,156,410)
	(73,200,314)	**(36,323,068)**	**(42,340,096)**	**(55,690,556)**	**(99,455)**	**(27,103,108)**	**(234,756,597)**
Effect of derivatives	(3,562,275)	-	-	3,562,275	-	-	-
Net position	**(45,800,221)**	**(15,763,439)**	**5,021,018**	**49,483,512**	**8,600,848**	**34,958,548**	**36,500,266**

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**	**Other currencies**	**AMD**	**USD**	**Other currencies**
Interest bearing assets						
Nostro accounts with banks	-	0.5%	0.9%	-	0.2%	0.9%
Available-for-sale financial assets	12.7%	6.2%	-	12.7%	5.8%	-
Loans and advance to banks	-	-	-	-	7.3%	3.7%
Loans to customers	17.9%	14.8%	14.3%	17.7%	13.2%	11.0%
Receivables from finance lease	15.3%	10.0%	9.1%	15.1%	10.6%	10.0%
Interest bearing liabilities						
Current accounts and deposits from customers						
- Current accounts and demand deposits	2.5%	-	-	1.3%	-	-
- Term deposits	13.5%	4.6%	3.3%	10.9%	5.9%	4.1%
Amounts payable under repurchase agreements	9.2%	-	-	20.0%	-	-
Other borrowed funds	11.0%	5.1%	4.9%	9.4%	4.8%	5.2%

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

	Currency	**Nominal interest rate**	**2015 AMD'000**	**2014 AMD'000**
Loans from state non-commercial organizations	AMD	CBA refinancing rate + margin	22,769,256	24,787,746
Loans from international financial institution	USD	Libor + margin	17,102,694	25,258,736

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of profit or loss (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	252,005	415,506
100 bp parallel rise	(252,005)	(415,506)

An analysis of the sensitivity of 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 Equity AMD'000	2014 Equity AMD'000
100 bp parallel fall	486,845	196,452
100 bp parallel rise	(486,845)	(196,452)

(ii) Currency risk

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

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2015:

	AMD AMD'000	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
ASSETS					
Cash and cash equivalents	31,022,084	13,463,807	8,285,169	1,398,728	54,169,788
Available-for-sale financial assets	4,801,335	15,186,823	-	-	19,988,158
Loans and advances to banks	510,994	537,782	27,579	106,949	1,183,304
Loans to customers	84,179,658	81,596,216	2,583,092	-	168,358,966
Receivables from finance leases	2,479,575	6,026,758	1,100,883	-	9,607,216
Other financial assets	756,500	315,836	24,373	-	1,096,709
Total assets	**123,750,146**	**117,127,222**	**12,021,096**	**1,505,677**	**254,404,141**
LIABILITIES					
Financial instruments at fair value through profit or loss	51,658	-	-	-	51,658
Deposits and balances from banks	10,965	10,788	1,586	-	23,339
Amounts payable under repurchase agreements	2,500,627	-	-	-	2,500,627
Current accounts and deposits from customers	31,473,404	62,913,852	11,563,886	1,654,949	107,606,091
Other borrowed funds	55,643,092	48,671,938	1,189,069	-	105,504,099
Other financial liabilities	366,087	1,129,939	16,464	-	1,512,490
Total liabilities	**90,045,833**	**112,726,517**	**12,771,005**	**1,654,949**	**217,198,304**
Net position	**33,704,313**	**4,400,705**	**(749,909)**	**(149,272)**	**37,205,837**
The effect of derivatives held for risk management	**-**	**(1,813,623)**	**1,586,070**	**227,553**	**-**
Net position after derivatives held for risk management purposes	**33,704,313**	**2,587,082**	**836,161**	**78,281**	**37,205,837**

The following table shows the currency structure of financial assets and liabilities as at 31 December 2014:

	AMD AMD'000	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
ASSETS					
Cash and cash equivalents	33,472,763	22,485,768	4,647,858	3,962,663	64,569,052
Financial instruments at fair value through profit or loss	149,303	-	-	-	149,303
Available-for-sale financial assets	5,235,714	3,971,737	-	-	9,207,451
Loans and advances to banks	511,133	9,969,740	2,408,995	94,198	12,984,066
Loans to customers	99,183,196	71,894,713	4,553,759	-	175,631,668
Receivables from finance lease	1,940,132	6,128,544	646,647	-	8,715,323
Other financial assets	378,200	472,129	59,985	-	910,314
Total assets	**140,870,441**	**114,922,631**	**12,317,244**	**4,056,861**	**272,167,177**
LIABILITIES					
Deposits and balances from banks	2,873	2,923	1,732	-	7,528
Amounts payable under repurchase agreements	7,007,655	-	-	-	7,007,655
Current accounts and deposits from customers	28,886,046	56,935,211	11,980,979	1,782,768	99,585,004
Other borrowed funds	59,060,800	68,020,538	1,075,072	-	128,156,410
Other financial liabilities	373,176	143,974	29,700	-	546,850
Total liabilities	**95,330,550**	**125,102,646**	**13,087,483**	**1,782,768**	**235,303,447**
Net position	**45,539,891**	**(10,180,015)**	**(770,239)**	**2,274,093**	**36,863,730**
The effect of derivatives held for risk management	**(1,187,425)**	**1,187,425**	**-**	**-**	**-**
Net position after derivatives held for risk management purposes	**44,352,466**	**(8,992,590)**	**(770,239)**	**2,274,093**	**36,863,730**

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2015 and 2014, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on a net-of-tax basis, and is based on foreign currency exchange rate variances that the Group 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.

	2015 AMD'000	2014 AMD'000
10% appreciation of USD against AMD (2014: 10%)	258,708	(899,259)
10% appreciation of EUR against AMD (2014: 10%)	83,616	(77,024)

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 remained constant.

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has policies and procedures in place to manage credit exposures (both for recognized financial assets and unrecognized 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 Management Board.

The credit policy establishes:

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

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Credit Analysis Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis, focusing on the customer's business and financial performance. The largest loan credit application and the report are then independently reviewed by the Risk Management Department. The Credit Committee reviews the loan credit application on the basis of submissions by the Credit Analysis Department and Risk Management Department.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. Retail loan credit applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures.

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 the 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	43,321,430	54,923,941
Financial instruments at fair value through profit or loss	-	149,303
Available-for-sale financial assets	18,919,106	8,323,805
Loans and advances to banks	1,183,304	12,984,066
Loans to customers	168,358,966	175,631,668
Receivables from finance leases	9,607,216	8,715,323
Other financial assets	1,096,709	910,314
Total maximum exposure	**242,486,731**	**261,638,420**

Collateral generally is not held against claims under derivative financial instruments, investments in securities, and loans to banks, except when securities are held as part of reverse repurchase and securities borrowing activities.

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers, see note 17.

The maximum exposure to credit risk from unrecognized contractual commitments at the reporting date is presented in note 28.

As at 31 December 2015 and 2014 the Group has no debtors or groups of connected debtors, credit risk exposure to whom exceeds 10 percent maximum credit risk exposure, except for the CBA.

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 Group'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.

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 Group receives and gives collateral in the form of marketable securities in respect of 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 offsetting criteria 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 Group or the counterparties.

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

				Related amounts not offset in the statement of financial position		
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**	**Financial instruments (non-cash collateral)**	**Cash collateral received**	**Net amount**
Amounts payable under repurchase agreements	(2,500,627)	-	(2,500,627)	2,500,627	-	-
Other borrowed funds	(105,504,099)	-	(105,504,099)	32,891,454	-	(72,612,645)
Total financial liabilities	**(108,004,726)**	**-**	**(108,004,726)**	**35,392,081**	**-**	**(72,612,645)**

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

				Related amounts not offset in the statement of financial position		
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**	**Financial instruments (non-cash collateral)**	**Cash collateral received**	**Net amount**
Amounts payable under repurchase agreements	(7,007,655)	-	(7,007,655)	7,007,655	-	-
Other borrowed funds	(128,156,410)	-	(128,156,410)	33,789,363	-	(94,367,047)
Total financial liabilities	**(135,164,065)**	**-**	**(135,164,065)**	**40,797,018**	**-**	**(94,367,047)**

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

The Group seeks to actively support a diversified and stable funding base comprising long- and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions, is performed by the Risk Management Department. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by the ALCO and implemented by the Treasury Department.

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 inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

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							
Financial instruments at fair value through profit or loss	51,658	-	-	-	-	51,658	51,658
Deposits and balances from banks	23,339	-	-	-	-	23,339	23,339
Amounts payable under repurchase agreements	2,502,489	-	-	-	-	2,502,489	2,500,627
Current accounts and deposits from customers	46,363,393	11,118,609	15,253,030	26,601,633	11,899,380	111,236,045	107,606,091
Other borrowed funds	20,526,104	4,439,162	10,848,093	23,802,290	60,307,937	119,923,586	105,504,099
Other financial liabilities	-	901,030	-	611,460	-	1,512,490	1,512,490
Total financial liabilities	**69,466,983**	**16,458,801**	**26,101,123**	**51,015,383**	**72,207,317**	**235,249,607**	**217,198,304**
Credit related commitments	**17,975,641**	**-**	**-**	**-**	**-**	**17,975,641**	**17,975,641**

The maturity analysis for financial assets and 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							
Deposits and balances from banks	7,528	-	-	-	-	7,528	7,528
Amounts payable under repurchase agreements	7,024,455	-	-	-	-	7,024,455	7,007,655
Current accounts and deposits from customers	39,616,976	12,039,254	13,517,666	25,360,618	13,158,601	103,693,115	99,585,004
Other borrowed funds	3,877,587	5,886,072	7,211,137	25,483,363	100,650,284	143,108,443	128,156,410
Other financial liabilities	-	546,850	-	-	-	546,850	546,850
Total financial liabilities	**50,526,546**	**18,472,176**	**20,728,803**	**50,843,981**	**113,808,885**	**254,380,391**	**235,303,447**
Credit related commitments	**15,183,954**	**-**	**-**	**-**	**-**	**15,183,954**	**15,183,954**

Under Armenian law, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are shown in the table above in accordance with the stated maturity dates. The classification of these deposits excluding accrued interest in accordance with their stated maturity dates is presented below:

	2015 AMD'000	**2014 AMD'000**
Demand and less than 1 month	8,522,494	9,061,170
From 1 to 3 months	8,810,678	8,440,386
From 3 to 12 months	35,419,265	33,222,698
From 1 to 5 years	7,264,257	8,944,851
More than 5 years	2,930,794	1,601,039
	62,947,488	**61,270,144**

The following tables provide an analysis, by expected maturities, of amounts recognized in the statement of financial position.

The table below shows an analysis, by expected maturities, of 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	54,169,788	-	-	-	-	-	-	54,169,788
Available-for-sale financial assets	-	396,985	2,529,853	15,963,814	28,454	1,069,052	-	19,988,158
Loans and advances to banks	217,633	-	-	-	-	965,671	-	1,183,304
Loans to customers	5,094,928	10,151,697	66,251,738	67,089,740	5,578,413	-	14,192,450	168,358,966
Receivables from finance leases	279,657	571,341	2,425,295	5,803,969	80,160	-	446,794	9,607,216
Current tax asset	-	-	1,504,741	-	-	-	-	1,504,741
Property, equipment and intangible assets	-	-	-	-	-	15,278,358	-	15,278,358
Investments in associates	-	-	-	-	-	243,032	-	243,032
Other assets	-	513,929	1,003,297	-	-	1,002,449	-	2,519,675
Total assets	**59,762,006**	**11,633,952**	**73,714,924**	**88,857,523**	**5,687,027**	**18,558,562**	**14,639,244**	**272,853,238**
LIABILITIES								
Financial instruments at fair value through profit or loss	51,658	-	-	-	-	-	-	51,658
Deposits and balances from banks	23,339	-	-	-	-	-	-	23,339
Amounts payable under repurchase agreements	2,500,627	-	-	-	-	-	-	2,500,627
Current accounts and deposits from customers	45,992,838	10,542,559	40,549,001	7,591,990	2,929,703	-	-	107,606,091
Other borrowed funds	19,523,563	4,033,732	28,833,672	51,398,579	1,714,553	-	-	105,504,099
Deferred tax liabilities	-	-	-	-	-	931,511	-	931,511
Other liabilities	-	1,570,919	952,866	-	-	-	-	2,523,785
Total liabilities	**68,092,025**	**16,147,210**	**70,335,539**	**58,990,569**	**4,644,256**	**931,511**		**219,141,110**
Net position	**(8,330,019)**	**(4,513,258)**	**3,379,385**	**29,866,954**	**1,042,771**	**17,627,051**	**14,639,244**	**53,712,128**

The table below shows an analysis, by expected maturities, of amounts recognised 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	64,569,052	-	-	-	-	-	-	64,569,052
Financial instruments at fair value through profit or loss	-	149,303	-	-	-	-	-	149,303
Available-for-sale financial assets	-	111,771	890,558	4,927,312	2,394,164	883,646	-	9,207,451
Loans and advances to banks	5,069,162	4,702,044	2,421,699	-	-	791,161	-	12,984,066
Loans to customers	5,889,345	10,041,094	62,624,136	82,450,733	6,234,150	-	8,392,210	175,631,668
Receivables from finance leases	354,021	463,425	1,984,350	5,801,889	71,989	-	39,649	8,715,323
Current tax asset	-	-	1,179,339	-	-	-	-	1,179,339
Property, equipment and intangible assets	-	-	-	-	-	15,730,773	-	15,730,773
Investments in associate	-	-	-	-	-	276,955	-	276,955
Other assets	-	561,347	644,528	-	-	1,449,417	-	2,655,292
Total assets	**75,881,580**	**16,028,984**	**69,744,610**	**93,179,934**	**8,700,303**	**19,131,952**	**8,431,859**	**291,099,222**
LIABILITIES								
Deposits and balances from banks	7,528	-	-	-	-	-	-	7,528
Amounts payable under repurchase agreements	7,007,655	-	-	-	-	-	-	7,007,655
Current accounts and deposits from customers	39,240,031	11,439,821	37,405,992	9,898,650	1,600,510	-	-	99,585,004
Other borrowed funds	3,847,641	5,781,875	30,672,408	87,755,031	99,455	-	-	128,156,410
Deferred tax liabilities	-	-	-	-	-	680,098	-	680,098
Other liabilities	-	1,098,637	271,019	-	-	-	-	1,369,656
Total liabilities	**50,102,855**	**18,320,333**	**68,349,419**	**97,653,681**	**1,699,965**	**680,098**	**-**	**236,806,351**
Net position	**25,778,725**	**(2,291,349)**	**1,395,191**	**(4,473,747)**	**7,000,338**	**18,451,854**	**8,431,859**	**54,292,871**

The reported ratios of highly liquid assets to demand liabilities at the reporting date and during the reporting period are as follows:

	2015 Unaudited	**2014 Unaudited**
Average for December (unaudited)	219%	242%
At 31 December (unaudited)	206%	211%

The above ratio is also used to measure compliance with the liquidity limit established by the CBA.

27. Capital management

The CBA sets and monitors capital requirements for the Group.

The Group defines as capital those items defined by statutory regulation as capital for commercial banks.

As at 31 December 2015 the minimum level of ratio of capital to risk weighted assets (statutory capital ratio) was 12% (2014:12%). The Group is in compliance with the statutory capital ratios as at 31 December 2015 and 2014.

The calculation of capital adequacy based on requirements set by the CBA as at 31 December is as follows:

	2015 AMD'000 Unaudited	**2014 AMD'000 Unaudited**
Core capital		
Core capital	45,214,898	45,370,250
Deductions	(3,285,479)	(3,675,484)
Total core capital	**41,929,419**	**41,694,766**
Additional capital		
Additional capital	4,019,989	3,615,019
Total additional capital	**4,019,989**	**3,615,019**
Total capital	**45,949,408**	**45,309,785**
Total risk weighted assets, combining credit, market and operational risks	**277,660,640**	**291,259,618**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**16.5%**	**15.6%**

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.

28. Credit related commitments

The Group has outstanding credit related commitments to extend loans. These credit related commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to one year. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit 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 and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if the counterparties failed completely to perform as contracted.

	2015 AMD'000	**2014 AMD'000**
Contracted amount		
Loan and credit line commitments	3,127,888	1,748,134
Credit card commitments	11,252,926	9,778,979
Guarantees and letters of credit	3,594,827	3,656,841
	17,975,641	**15,183,954**

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. The majority of loan and credit line commitments do not represent an unconditional credit related commitment by the Group.

29. Operating leases

(a) Leases as lessee

Non-cancellable operating lease rentals as at 31 December are payable as follows:

	2015 AMD'000	**2014 AMD'000**
Less than 1 year	600,023	387,264
Between 1 and 5 years	2,782,450	1,533,403
More than 5 years	1,480,139	1,391,572
	4,862,612	**3,312,239**

The Group leases a number of premises under operating leases. The leases typically run for an initial period of five-to-ten years, with an option to then renew the lease. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

30. Contingencies

(a) Litigation

In the ordinary course of business, the Group 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.

(b) 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 which 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.

31. Related party transactions

(a) Transactions with members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2015 and 2014 is as follows:

	2015 AMD'000	2014 AMD'000
Salary expense	**474,530**	**310,017**

The outstanding balances and average effective interest rates as at 31 December 2015 and 2014 for transactions with members of the Board of Directors and the Management Board are as follows:

	2015 AMD'000	Average effective interest rate, %	2014 AMD'000	Average effective interest rate, %
Statement of financial position				
Loans issued (gross)	374,333	2.5%	390,028	3.6%
Loan impairment allowance	(3,743)		(3,900)	
Current accounts and deposits from customers	359,017	6.9%	536,522	6.8%

The loans are mainly repayable by 2020. Transactions with related parties are unsecured.

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

	2015 AMD'000	2014 AMD'000
Profit or loss		
Interest income	12,040	13,818
Interest expense	31,039	36,765

(b) Transactions with other related parties

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

	Shareholders		Entities controlled by shareholders		Other related parties	
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %
Statement of financial position						
ASSETS						
Cash and cash equivalents	3,410,070	0.5%	222,776	-	-	-
LIABILITIES						
Current accounts and deposits from customers	359,017	8.6%	-	-	131,569	5.4%
Profit (loss)						
Interest expense	810		-		7,116	-

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

	Shareholders		Entities controlled by shareholders		Other related parties	
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %
Statement of financial position						
ASSETS						
Cash and cash equivalents	4,884,662	0.1%	348,976	-		-
LIABILITIES						
Current accounts and deposits from customers	1,483,800	6.9%	-	-	166,310	5.2%
Profit (loss)						
Interest expense	76,758		-		8,708	

32. Fair values of financial instruments

The Group measures fair values using the following fair value hierarchy, which 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 estimated fair values of all financial instruments except for unquoted equity securities available-for-sale approximate their carrying amounts. The fair value of unquoted equity securities available-for-sale with a carrying value of AMD 81,212 thousand (2014: AMD 63,818 thousand) could not be determined.

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**
Financial instruments at fair value through profit or loss			
- Derivative liabilities	-	(51,658)	(51,658)
Available-for-sale financial assets			
- Debt instruments	-	18,919,106	18,919,106
- Equity instruments	987,840	-	987,840

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**
Financial instruments at fair value through profit or loss			
- Derivative assets	-	149,303	149,303
Available-for-sale financial assets			
- Debt instruments	-	8,323,805	8,323,805
- Equity instruments	819,828	-	819,828

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.