Ameriabank cjsc

Financial Statements

For the fouth quarter of 2015

Contents

Statement of comprehensive income

31-Dec-2015

Name of the Bank Ameriabank CJSC

Address Yerevan, Armenia 0015, G. Lusavorich 9, tel. 56 11 11

(thous. drams)

Item	Note	01/10/2015-31/12/2015 (unaudited)	01/01/2015-31/12/2015 (unaudited)	01/10/2014-31/12/2014 (unaudited)	01/01/2014-31/12/2014 (audited)
Interest income	4	9,867,422	35,733,246	8,065,748	27,711,993
Interest expenses	4	(6,616,811)	(20,979,260)	(3,851,934)	(13,086,733)
Net interest income		**3,250,611**	**14,753,986**	**4,213,814**	**14,625,260**
Fee and commission income	5	675,377	2,549,890	666,280	2,306,764
Fee and commission expense	6	(124,864)	(487,001)	(110,485)	(431,643)
Net fee and commission income		**550,513**	**2,062,889**	**555,795**	**1,875,121**
Net profit/loss on financial instruments at fair value through profit or loss	7	(79,135)	(1,632,803)	(4,476,094)	(4,592,239)
Net foreign exchange income	8	984,911	4,294,233	5,720,300	7,596,530
Net gain on available-for-sale financial assets		4,994	4,975	19,384	177,614
Other operating income (expenses)	9	34,122	1,607,091	186,433	371,007
Operating income		**4,746,016**	**21,090,371**	**6,219,632**	**20,053,293**
Impairment reversals (losses)	10	(2,149,277)	(5,987,955)	(781,308)	(1,731,323)
Loss on initial recognition		(161,186)	(161,186)	-	-
Personnel expenses		(1,568,561)	(5,744,675)	(1,792,800)	(6,011,844)
Other general administrative expenses	11	(858,391)	(3,167,044)	(1,031,280)	(3,284,221)
Profit before income tax		**8,601**	**6,029,511**	**2,614,244**	**9,025,905**
Income tax expense	12	(40,229)	(1,208,036)	(596,902)	(1,877,035)
Profit for the period		**(31,628)**	**4,821,475**	**2,017,342**	**7,148,870**
Other comprehensive income, net of income tax					
Increase/decrease in revaluation reserve of financial assets		39,548	(118,994)	(469,721)	(549,837)
Other comprehensive income for the period, net of income tax		**39,548**	**(118,994)**	**(469,721)**	**(549,837)**
Total comprehensive income for the period		**7,920**	**4,702,481**	**1,547,621**	**6,599,033**

Validation date 15.01.16

seal

General Director-Chairman of the Management Board Artak Hanesyan

Chief Accountant Gohar Khachatryan

Statement of Financial Position
31-Dec-2015

Name of the Bank Ameriabank CJSC
Address Yerevan, Armenia 0015, G. Lusavorich 9, tel. 56 11 11

(thous. drams)

Item	Note	31/12/2015 (unaudited)	31/12/2014 (audited)
Assets			
Cash and cash equivalents	13	142,713,317	68,115,676
Banking standardized bullions of precious metals		77,973	200,233
Financial instruments at fair value through profit or loss			
- Held by the Bank	14	465,303	-
- Pledged under sale and repurchase agreements		-	-
Available-for-sale financial assets			
- Held by the Bank	15	4,963,052	518,781
- Pledged under sale and repurchase agreements	15	5,315,549	7,092,783
Loans and advances to banks	16	8,172,675	1,157,853
Amounts receivable under reverse repurchase agreements	17	5,980,477	1,526,358
Loans to customers	18	304,393,619	278,808,949
Receivables from letters of credit	19	9,956,475	14,216,567
Receivables from finance leases	20	2,099,464	2,852,570
Receivables from factoring	21	5,447,954	4,481,019
Held-to-maturity investments			
- Held by the Bank	22	4,673,844	920,668
- Pledged under sale and repurchase agreements	22	14,896,861	14,114,862
Assets held for sale		-	420,928
Property, equipment and intangible assets	23	3,195,703	2,830,644
Current tax asset		1,027,172	-
Deferred tax assets	12	-	142,617
Other assets	24	2,437,210	2,343,630
Total assets		**515,816,648**	**399,744,138**
Liabilities			
Financial instruments at fair value through profit or loss	14	582,560	673,732
Amounts payable under repurchase agreements		19,004,763	21,301,407
Deposits and balances from banks	25	21,214,531	30,204,324
Current accounts and deposits from customers	26	294,012,140	208,696,931
Subordinated borrowings	27	39,721,324	15,380,080
Other borrowed funds	27	78,383,861	77,625,847
Current tax liabilities		-	685,795
Deferred tax liabilities	12	415,831	-
Other liabilities	28	3,158,103	2,821,256
Total liabilities		**456,493,113**	**357,389,372**
Equity			
Share capital	29	32,087,360	25,447,680
Share premium		7,755,179	28,571
Revaluation reserve		(251,309)	(132,315)
Retained earnings		19,732,305	17,010,830
Total equity		**59,323,535**	**42,354,766**
Total liabilities and equity		**515,816,648**	**399,744,138**

Validation date 15.01.16

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General Director-Chairman of the Management Board Artak Hanesyan

Chief Accountant Gohar Khachatryan

Statement of changes in equity
31-Dec-2015

Name of the Bank Ameriabank CJSC
Address Yerevan, Armenia 0015, G. Lusavorich 9, tel. 56 11 11

(thous. drams)

Item	Share capital	Share premium/loss	Revaluation reserve for financial assets	Retained earnings	Total
Appropriate interim period of prevous financial year (cumulative)					
Balance as of 01 January 2014 (audited)	25,447,680	28,571	417,522	12,811,960	38,705,733
The cumulative effect of changes in accounting policy and the correction of fundamental errors	-	-	-	-	-
Balance after recalculation	25,447,680	28,571	417,522	12,811,960	38,705,733
Increase/decrease in fair value of financial assets, net of income tax	-	-	(549,837)	-	(549,837)
Net profit/ loss for the period	-	-	-	7,148,870	7,148,870
Dividends				(2,950,000)	(2,950,000)
Balance as of 31 December 2014 (audited)	25,447,680	28,571	(132,315)	17,010,830	42,354,766
Interim period of current financial year (cumulative)					
Balance as of 01 January 2015 (audited)	25,447,680	28,571	(132,315)	17,010,830	42,354,766
The cumulative effect of changes in accounting policy and the correction of fundamental errors	-	-	-	-	-
Balance after recalculation	25,447,680	28,571	(132,315)	17,010,830	42,354,766
Increase/decrease in fair value of financial assets, net of income tax	-	-	(118,994)	-	(118,994)
Issue of share capital	6,639,680	7,726,608			14,366,288
Net profit/ loss for the period	-	-	-	4,821,475	4,821,475
Dividends				(2,100,000)	(2,100,000)
Balance as of 31 December 2015 (unaudited)	32,087,360	7,755,179	(251,309)	19,732,305	59,323,535

Validation date 15.01.16

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General Director-Chairman of the Management Board Artak Hanesyan

Chief Accountant Gohar Khachatryan

Statement of cash flows
31-Dec-2015

Name of the Bank Ameriabank CJSC

Address Yerevan, Armenia 0015, G. Lusavorich 9, tel. 56 11 11

(thous. drams)

Item	01/01/2015-31/12/2015 (unaudited)	01/01/2014-31/12/2014 (audited)
Cash flow from operational activities	x	x
Interests receipts	34,151,735	25,864,025
Interests payments	(20,095,081)	(11,133,566)
Fee and commissions receipts	2,549,890	2,307,052
Fee and commissions payments	(487,001)	(431,643)
Net receipts from available-for-sale financial assets	301,737	912,281
Net receipts from foreign exchange	2,465,955	2,344,808
Other income/expenses	596,741	404,854
Salaries and other payments to employees	(5,740,169)	(5,110,592)
Other general administrative expense payments	(2,413,358)	(2,554,065)
Decrease (Increase) in operating assets, including:		
Financial instruments at fair value through profit or loss	(462,216)	(4,350,621)
Available-for-sale financial assets	(1,359,936)	(904,455)
Loans and advances to banks	(7,004,147)	4,128,484
Amounts receivable under reverse repurchase agreements	(4,439,654)	6,889,382
Loans to customers	(25,154,791)	(77,290,901)
Receivables from finance leases	991,192	448,168
Receivables from letters of credit	3,851,790	(4,060,959)
Receivables from factoring	(1,052,629)	(649,666)
Other assets	156,862	(236,308)
Increase (Decrease) in other operating liabilities, including:		
Financial instruments at fair value through profit or loss	(2,033,380)	346,654
Deposits and balances from banks	(8,668,601)	7,491,140
Amounts payable under repurchase agreements	(2,278,094)	4,934,599
Current accounts and deposits from customers	83,641,896	22,898,046
Other liabilities	346,694	(1,221,592)
Net cash from (used in) operating activities before income tax paid	**47,865,435**	**(28,974,875)**
Income tax paid	(2,350,000)	(1,865,632)
Net cash flow from operational activities after profit tax	**45,515,435**	**(30,840,507)**
Net cash flow from investing activities	x	x
Issue of share capital	14,366,288	-
Purchases of property and equipment and intangible assets	(1,120,887)	(696,832)
Sales of property and equipment and intangible assets	3,709	707
Held-to-maturity investments	(5,696,308)	(7,538,838)
Net cash flow from investng activities	**7,552,802**	**(8,234,963)**
Net cash flow from financing activities	x	x
Dividends paid	(2,100,000)	(2,950,000)
Net receipts from other borrowed funds	22,893,632	11,584,649
Net cash flow from financing activities	**20,793,632**	**8,634,649**
Effect of changes in exchange rates on cash and cash equivalents	735,772	(259,195)
Net increase in cash and cash equivalents	**74,597,641**	**(30,700,016)**
Cash and cash equivalents at the beginning of the period	**68,115,676**	**98,815,692**
Cash and cash equivalents at the end of the period	**142,713,317**	**68,115,676**

Validation date 15.01.16

seal

General Director-Chairman of the Management Board Artak Hanesyan

Chief Accountant Gohar Khachatryan

1 Background

(a) Organisation and operations

Ameriabank cjsc (formerly Armimpexbank cjsc) (the Bank) was established on 8 September 1992 under the laws of the Republic of Armenia. In 2007 the Bank was acquired by TDA Holdings Limited, which purchased a shareholding of 96.15%. TDA Holdings Limited was renamed to Ameria Group (CY) during 2011. In 2013 Ameria Group (CY) Limited increased it's share in the Bank to 100%. On 23 December 2015 additional shares were issued which has been acquired by EBRD with 20.7% shares in the Bank.

The principal activities are deposit taking and customer account maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Central Bank of Armenia (CBA). The Bank has a general banking license, and is a member of the state deposit insurance system in the Republic of Armenia. The majority of the Bank's assets and liabilities are located in Armenia.

The Bank has 12 branches from which it conducts business throughout the Republic of Armenia. The registered address of the head office is 9 Grigor Lusavorich Street, Yerevan 0015, Republic of Armenia. The average number of the Bank's employees for 2015 was 581 (2014: 590).

The shareholders of the Bank as at 31 December 2015 are Ameria Group (CY) and EBRD which own accordingly 79.3% and 20.7% of the Bank's shares. In December 2014 the sole shareholder was Ameria Group (CY) which owned 100% shares in the Bank.

Related party transactions are detailed in note 35.

(b) Armenian business environment

Armenia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Armenian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(d) Functional and presentation currency

The functional currency of the Bank 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 financial statements.

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

(f) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 18 “Loans to customers”.

(g) Changes in accounting policies and presentation

Changes in accounting policies

The Bank has adopted the following amended IFRS and IFRIC which are effective for annual periods beginning on or after 1 January 2014:

IAS 32 Offsetting Financial Assets and Financial Liabilities − Amendments to IAS 32

These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments had no impact on the Bank’s financial position.

IFRIC Interpretation 21 Levies (IFRIC 21)

IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This IFRIC had no impact on the Bank’s financial statements as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. This amendment is not relevant to the Bank , since the Bank has not novated its derivatives during the current period.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36

These amendments remove the unintended consequences of IFRS 13 Fair Value Measurement on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments had no impact on the Bank's financial position or performance.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements, except as explained in note 2(eg), which addresses changes in accounting policies.

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Bank 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 amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss, 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 recognized in other comprehensive income are reclassified to profit or loss; or qualifying cash flow hedges to the extent that the hedge is effective, which are recognized in other comprehensive income.

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with the CBA, including obligatory reserves, unrestricted balances (nostro accounts) held with other banks. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

(c) 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 derivative that is financial guarantee contract or designated and effective hedging instruments); or
- upon initial recognition, designated as at fair value through profit or loss.

The Bank 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 Bank 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 Bank:

- 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 recognized 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 trade 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 sale or other disposal, except for:

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

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

(iv) Amortized cost

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

(v) Fair value measurement principles

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

When available, the Bank 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 Bank uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.
The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

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

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

(vi) Gains and losses on subsequent measurement

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

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

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

(vii) Derecognition

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Bank 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 Bank is recognized as a separate asset or liability in the statement of financial position. The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

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

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

In transfers where control over the asset is retained, the Bank 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.

The Bank writes off assets deemed to be uncollectible.

(viii) Repurchase and reverse repurchase agreements

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

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

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

(ix) Derivative financial instruments

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

Derivatives are initially recognized 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 recognized immediately in profit or loss.

Although the Bank 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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(d) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

Leasehold improvements	5-10 years
Computers and communication equipment	1 to 7 years
Fixtures and fittings	3 to 10 years
Motor vehicles	7 years

Leasehold improvements are depreciated over the shorter of the useful life of the asset and lease term.

(e) Intangible assets

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

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

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 to 10 years.

(f) Assets held for sale

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

(g) Impairment

The Bank 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 Bank 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 Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below 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 Bank reviews its loans and receivables to assess impairment on a regular basis.

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

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank 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 Bank 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.

(h) Provisions

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

A provision for restructuring is recognized when the Bank has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

(i) Credit related commitments

In the normal course of business, the Bank 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 Bank 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 for the followings:

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss;
- if the Bank 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.

(j) Share capital

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.

(i) Share premium

Any amount paid in excess of par value of shares issued is recognized as a share premium.

(ii) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(iii) Dividends

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

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared and such decision is effective according to legislation of the Republic of Armenia.

(k) 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 recognised 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 Bank 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.

(l) Income and expense recognition

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

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognized in gains (losses) from financial instruments at fair value through profit or loss.

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.

Dividend income is recognized in profit or loss on the date that the dividend is declared.

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.

(m) Leases

Finance − Bank as lessee

The Bank recognises finance leases as assets and liabilities in the statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Bank's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The costs identified as directly attributable to activities performed by the lessee for a finance lease, are included as part of the amount recognised as an asset under the lease.

Finance − Bank as lessor

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Operating – Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

Operating − Bank as lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

(n) New standards and interpretations not yet adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Bank . They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and servi ce conditions which are vesting conditions, including:

- ► A performance condition must contain a service condition;
- ► A performance target must be met while the counterparty is rendering service;
- ► A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- ► A performance condition may be a market or non-market condition;
- ► If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- ► An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- ► The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IFRS 13 Short-term Receivables and Payables – Amendments to IFRS 13

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Bank. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

Meaning of effective IFRSs – Amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity’s first IFRS financial statements. This amendment to IFRS 1 has no impact on the Bank, since the Bank is an existing IFRS preparer.

Annual improvements 2012-2014 Cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the Bank. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

IFRS 7 Financial Instruments: Disclosures – servicing contracts

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

IFRS 7 Financial Instruments: Disclosures – Applicability of the Offsetting Disclosures to Condensed Interim Financial Statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that “An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.

The amendment removes the phrase ‘and interim periods within those annual periods’, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

4 Net interest income

	01/10/2015-31/12/2015 AMD'000	01/01/2015-31/12/2015 AMD'000	01/10/2014-31/12/2014 AMD'000	01/01/2014-31/12/2014 AMD'000
Interest income				
Loans to customers	8,622,322	30,848,124	6,850,312	23,363,086
Income from factoring	142,571	518,646	218,000	707,560
Available-for-sale financial assets	267,477	940,327	176,361	764,706
Held-to-maturity investments	379,780	1,536,660	332,975	1,182,273
Loans and advances to banks	73,885	270,333	30,047	108,342
Amounts receivable under reverse repurchase agreements	103,997	349,573	75,482	282,580
Receivables from finance leases	71,433	312,978	90,786	344,753
Receivables from letters of credit	203,453	818,643	260,677	923,406
Other	2,504	137,962	31,108	35,287
	9,867,422	**35,733,246**	**8,065,748**	**27,711,993**
Interest expense				
Current accounts and deposits from customers	4,188,728	10,822,786	2,060,234	7,669,949
Other borrowed funds and subordinated borrowing	1,784,333	6,758,802	1,288,562	4,099,492
Deposits and balances from banks	187,538	581,942	120,841	359,250
Amounts payable under repurchase agreements	326,974	2,122,277	173,760	259,924
Letters of credit and guarantee	129,238	648,020	173,984	657,971
Other	-	45,433	34,553	40,147
	6,616,811	**20,979,260**	**3,851,934**	**13,086,733**
Net interest income	**3,250,611**	**14,753,986**	**4,213,814**	**14,625,260**

5 Fee and commission income

	01/10/2015-31/12/2015 AMD'000	01/01/2015-31/12/2015 AMD'000	01/10/2014-31/12/2014 AMD'000	01/01/2014-31/12/2014 AMD'000
Credit card maintenance	287,639	1,094,801	265,339	1,026,049
Money transfers	117,199	402,872	126,747	406,384
Guarantee and letter of credit issuance	90,278	357,862	83,568	276,437
Cash withdrawal and account service	125,303	406,670	110,530	415,636
Settlement operations	11,106	41,521	10,033	25,109
Brokerage services	35,254	207,388	59,798	119,727
Other	8,598	38,776	10,265	37,422
	675,377	**2,549,890**	**666,280**	**2,306,764**

6 Fee and commission expense

	01/10/2015-31/12/2015 AMD'000	01/01/2015-31/12/2015 AMD'000	01/10/2014-31/12/2014 AMD'000	01/01/2014-31/12/2014 AMD'000
Guarantee and letter of credit issuance	18,344	86,114	11,286	92,936
Credit card maintenance	80,140	289,040	68,885	234,327
Money transfers	21,880	78,794	17,817	65,131
Other	4,500	33,053	12,497	39,249
	124,864	**487,001**	**110,485**	**431,643**

7 Net gain/(loss) on financial instruments at fair value through profit or loss

Net gain/(loss) on financial instruments at fair value through profit or loss includes revaluation of currency and interest rate derivative instruments, which are used for hedging open currency positions.

8 Net foreign exchange income

	01/10/2015-31/12/2015 AMD'000	01/01/2015-31/12/2015 AMD'000	01/10/2014-31/12/2014 AMD'000	01/01/2014-31/12/2014 AMD'000
Net gain on spot transactions	750,560	2,465,955	1,088,439	2,344,808
Net gain from revaluation of financial assets and liabilities	234,351	1,828,278	4,631,861	5,251,722
	984,911	**4,294,233**	**5,720,300**	**7,596,530**

9 Other operating income/(expenses)

	01/10/2015-31/12/2015 AMD'000	01/01/2015-31/12/2015 AMD'000	01/10/2014-31/12/2014 AMD'000	01/01/2014-31/12/2014 AMD'000
Income from fines and penalties	274,310	2,709,524	502,170	1,298,535
Net income from disposal of fixed assets	119	2,402	587	587
Other income	59,723	177,147	20,474	76,085
Expenses on fines and penalties	-	(1,022)	(36,079)	(40,870)
Encashment	(11,723)	(50,920)	(14,209)	(53,825)
Trading and brokerage activities	(26,858)	(127,737)	(36,390)	(99,025)
Guarantee payments to Armenian Deposit Guarantee Fund	(62,217)	(229,334)	(49,326)	(184,121)
Software maintenance	(60,199)	(219,278)	(54,370)	(201,053)
Payment system expenses	(79,400)	(289,747)	(72,233)	(260,917)
Other expenses	(59,633)	(363,944)	(74,191)	(164,389)
	34,122	**1,607,091**	**186,433**	**371,007**

10 Impairment (losses) reversals

	01/10/2015-31/12/2015 AMD'000	01/01/2015-31/12/2015 AMD'000	01/10/2014-31/12/2014 AMD'000	01/01/2014-31/12/2014 AMD'000
Loans to customers	1,784,350	5,472,780	716,635.62	1,650,911
Other assets	364,927	515,175	64,672.20	80,412
	2,149,277	**5,987,955**	**781,308**	**1,731,323**

11 Other general administrative expenses

	01/10/2015-31/12/2015 AMD'000	01/01/2015-31/12/2015 AMD'000	01/10/2014-31/12/2014 AMD'000	01/01/2014-31/12/2014 AMD'000
Operating lease expense	229,243	885,110	213,953	821,362
Advertising and marketing	126,363	426,588	178,867	581,983
Depreciation and amortization	196,084	755,375	219,031	760,473
Repairs and maintenance	59,876	211,247	57,691	196,411
Communications and information services	28,067	92,922	26,200	94,608
Travel expenses	20,462	64,092	20,523	47,817
Security	16,180	67,075	14,435	58,733
Professional services	6,077	62,666	16,664	77,505
Electricity and utilities	23,692	85,183	22,764	75,380
Insurance	6,776	26,092	1,140	20,486
Charity and sponsorship	58,011	138,614	92,836	136,173
Representation expenses	6,657	24,497	9,018	24,761
Office supplies	8,101	27,905	5,354	22,816
Taxes other than on payroll and income	3,925	41,624	11,805	28,734
Other	68,877	258,054	140,999	336,979
	858,391	**3,167,044**	**1,031,280**	**3,284,221**

12 Income tax expense

	01/10/2015-31/12/2015 AMD'000	01/01/2015-31/12/2015 AMD'000	01/10/2014-31/12/2014 AMD'000	01/01/2014-31/12/2014 AMD'000
Current tax expense				
Current year	(112,738)	619,842	872,955	2,048,603
Deferred tax expense	-			
Deferred taxation movement due to origination and reversal of temporary differences	152,967	588,194	(276,053)	(171,568)
Total income tax expense	**40,229**	**1,208,036**	**596,902**	**1,877,035**

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

Reconciliation of effective tax rate:

	2015 AMD'000	%	2014 AMD'000	%
Profit before tax	6,029,511		9,025,905	
Income tax at the applicable tax rate	1,205,902	20%	1,805,181	20%
Non-deductible costs	2,134	0.0%	71,854	0.8%
	1,208,036	**20.0%**	**1,877,035**	**20.8%**

(a) Deferred tax asset and liability

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.

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**
Financial instruments at fair value through profit or loss	32,265	(11,571)	-	20,694
Available-for-sale financial assets	33,079	-	29,746	62,825
Allowance for other receivables and other provisions	(110,262)	(69,286)	-	(179,548)
Loans to customers	(237,650)	(527,407)	-	(765,057)
Property and equipment	60,865	16,927	-	77,792
Other assets	13,104		-	13,104
Other liabilities	351,216	3,143	-	354,359
	142,617	**(588,194)**	**29,746**	**(415,831)**

2014 **AMD'000**	**Balance 1 January 2014**	**Recognized in profit or loss**	**Recognized in other comprehensive income**	**Balance 31 December 2014**
Financial instruments at fair value through profit or loss	46,263	(13,998)	-	32,265
Available-for-sale financial assets	(104,380)	-	137,459	33,079
Allowance for other receivables and other provisions	(137,466)	27,204	-	(110,262)
Loans to customers	(205,556)	(32,094)	-	(237,650)
Property and equipment	41,148	19,717	-	60,865
Other assets	13,107	(3)	-	13,104
Other liabilities	180,473	170,742	-	351,216
	(166,410)	**171,568**	**137,459**	**142,617**

13 Cash and cash equivalents

	2015 AMD'000	2014 AMD'000
Cash on hand	15,843,126	9,566,767
Nostro accounts with the CBA	105,555,056	50,575,892
Nostro accounts with other banks		
- rated AA- to AA+	13,047	2,883
- rated A- to A+	14,319,969	6,742,373
- rated from BB- to BBB+	6,913,069	1,148,984
- not rated	69,050	78,777
Total nostro accounts with other banks	**21,315,135**	**7,973,017**
Demand deposits with other banks		
- rated A- to A+	-	-
Total cash and cash equivalents	**142,713,317**	**68,115,676**

The nostro accounts with the CBA represent balances for settlement activities and also obligatory reserves allocated with CBA. There are no withdrawal restrictions on them and these amounts can be used by the Bank for settlement purposes.

No cash and cash equivalents are impaired or past due. The above ratings are per Fitch rating agency.

As at 31 December 2015 the Bank has one bank (2014: none), whose balances exceed 10% of equity. As at 31 December 2015 the balances of bank was 7,672,871 AMD'000 (31 December 2014: 0 AMD'000)

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

14 Financial instruments at fair value through profit or loss

	2015 AMD'000	2014 AMD'000
ASSETS		
Held by the Bank		
Derivative financial instruments		
Other contracts	465,303	-
	465,303	-

	2015 AMD'000	2014 AMD'000
LIABILITIES		
Derivative financial instruments		
Interest rate swaps	103,468	161,325
Foreign currency contracts	476,658	512,245
Other contracts	2,434	162
	582,560	**673,732**

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 past due or impaired.

Interest rate swaps

The table below summarizes the contractual amounts of interest rate swap contracts outstanding as at 31 December 2015 and 31 December 2014 with details of the fair values and notional amounts. Foreign currency amounts presented below are translated at rates effective at the reporting date. The resultant unrealized gains and losses on these unmatured contracts are recognized in profit or loss, as appropriate.

	Fair value		Notional amount	
	2015 AMD'000	2014 AMD'000	2015 AMD'000	2014 AMD'000
Pay fixed in USD, receive floating in USD	(103,468)	(161,325)	10,224,716	13,817,309

As at 31 December 2015 the Bank has three interest rate swap contracts with USD 15,000,000 initial notional amount each (2014: three interest rate swap contracts with USD 15,000,000 notional amount each). Under these contracts the Bank pays 2.1350%, 1.3125% and 0.9450% fixed rates, and receives 6-month USD-LIBOR-BBA (British Bankers' Association) floating rates for each contract, respectively. The contractual maturity of outstanding interest rate swap contracts is 2018.

15 Available-for-sale financial assets

	2015 AMD'000	2014 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	704,171	268,753
Eurobonds of the Republic of Armenia	3,190,731	-
- Corporate bonds		
International Financial Institutions	818,813	104,832
Other	142,879	38,738
Equity investments		
- Unquoted equity securities at cost	106,458	106,458

	2015 AMD'000	2014 AMD'000
	4,963,052	**518,781**
Pledged under sale and repurchase agreements		
Government securities of the Republic of Armenia	5,315,549	3,578,952
Eurobonds of the Republic of Armenia	-	3,317,063
International Financial Institutions	-	196,768
	5,315,549	**7,092,783**

Included in available-for-sale assets are non-quoted equity securities as follows:

Name	Country of incorporation	Main activity	% Controlled 2015	% Controlled 2014	2015 AMD'000	2014 AMD'000
ArCa	Republic of Armenia	Payment system	3.76%	3.76%	36,429	36,429
Artsakh bank cjsc	Republic of Armenia	Banking	1.06%	1.06%	69,250	69,250
SWIFT	Belgium	Money transfer	0.00%	0.00%	779	779
					106,458	**106,458**

(a) Investments without a determinable fair value

Available-for-sale equity investments stated at cost comprise unquoted equity securities in the money transfer 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
Due from the CBA		
Credit card settlement deposit with the CBA	1,020,000	820,000
Loans and deposits with other banks		
Armenian banks	6,939,025	-
OECD banks	162,258	295,220
Foreign other banks	51,392	42,633
Total loans and deposits with other banks	**7,152,675**	**337,853**
Total loans and advances to banks	**8,172,675**	**1,157,853**

No loans and advances to banks are impaired or past due.

Included in loans and deposits with OECD banks and other foreign banks is AMD 167,068 thousand (2014: AMD 322,827 thousand) which represents deposits pledged for letters of credit, guarantees and credit cards.

Concentration of loans and advances to banks

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

17 Amounts receivable under reverse repurchase agreements

	2015 AMD'000	2014 AMD'000
Amounts receivable from medium and small Armenian financial institutions	5,980,477	1,526,358
	5,980,477	**1,526,358**

Collateral

As at 31 December 2015 and 31 December 2014 amounts receivable under reverse repurchase agreements were collateralized by securities with the following fair values:

	2015 AMD'000	2014 AMD'000
Government and non-government securities of the Republic of Armenia	**6,332,266**	**1,527,421**

18 Loans to customers

	2015 AMD'000	2014 AMD'000
Loans to corporate customers		
Loans to large corporates	216,842,942	179,788,620
Loans to small and medium size companies	53,095,344	58,195,133
Total loans to corporate customers	**269,938,286**	**237,983,753**
Loans to retail customers		
Mortgage loans	17,390,325	17,277,164
Credit cards	14,588,083	16,367,111
Business loans	2,386,816	2,495,719
Auto loans	2,904,684	4,094,804
Consumer loans	2,596,287	3,325,061
Total loans to retail customers	**39,866,195**	**43,559,859**
Gross loans to customers	**309,804,481**	**281,543,612**
Impairment allowance	(5,410,862)	(2,734,663)
Net loans to customers	**304,393,619**	**278,808,949**

	Neither past due nor impaired			Past due but not impaired 2015	Individually impaired 2015	Total 2015
	High grade 2015	Standard grade 2015	Sub-standard grade 2015			
Net Loans to corporate customers	45,608,470	203,002,923	–	12,450,923	3,773,452	**264,835,768**

	Neither past due nor impaired			Past due but not impaired 2014	Individually impaired 2014	Total 2014
	High grade 2014	Standard grade 2014	Sub-standard grade 2014			
Net Loans to corporate customers	32,826,034	196,085,992	–	5,163,171	1,684,533	**235,759,730**

Movements in the loan impairment allowance by classes of loans to customers for the year 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	2,224,023	510,640	2,734,663
Net charge	5,174,164	298,616	5,472,780
Recovery of loans previously written off	806,847	197,689	1,004,536
Write-offs	(3,102,515)	(698,602)	(3,801,117)
Balance at the end of the year	**5,102,518**	**308,344**	**5,410,862**

Movements in the loan impairment allowance by classes of loans to customers for the 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	1,178,551	207,959	1,386,510
Net reversal	1,140,671	510,240	1,650,911
Recovery of loans previously written off	94,574	405,891	500,465
Write-offs	(189,773)	(613,450)	(803,223)
Balance at the end of the year	**2,224,023**	**510,640**	**2,734,663**

(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 corporate customers				
Loans to large corporates				
Loans without individual signs of impairment:				

	Gross loans AMD'000	**Impairment allowance AMD'000**	**Net loans AMD'000**	**Impairment allowance to gross loans %**
- not overdue	201,993,352	1,636,040	200,357,312	0.81%
- overdue less than 30 days	4,035,029	40,350	3,994,679	1.00%
Total loans without individual signs of impairment	**206,028,381**	**1,676,390**	**204,351,991**	**0.81%**
Loans with individual signs of impairment				
Not impaired loans:				
- overdue more than 91 days and less than 180 days	1,150,296	11,503	1,138,793	1.00%
- overdue more than 181 days and less than 270 days	108,646	1,086	107,560	1.00%
- overdue more than 271 days	3,963,596	39,636	3,923,960	1.00%
Impaired loans:				
- overdue more than 181 days and less than 270 days	1,428,738	920,970	507,768	64.46%
- overdue more than 271 days	4,163,285	1,464,683	2,698,602	35.18%
Total loans with individual signs of impairment	**10,814,561**	**2,437,878**	**8,376,683**	**22.54%**
Total loans to large corporates	**216,842,942**	**4,114,268**	**212,728,674**	**1.90%**
Loans to small and medium size companies				
Loans without individual signs of impairment:				
- not overdue	48,692,336	438,255	48,254,081	0.90%
- overdue less than 30 days	632,931	5,696	627,235	0.90%
- overdue more than 31 days and less than 90 days	1,605,672	14,451	1,591,221	0.90%
Total loans without individual signs of impairment	**50,930,939**	**458,402**	**50,472,537**	**0.90%**
Loans with individual signs of impairment				
Not impaired loans				
- overdue more than 91 days and less than 180 days	885,654	7,971	877,683	0.90%
- overdue more than 181 days and less than 270 days	14,472	130	14,342	0.90%
- overdue more than 271 days	177,043	1,593	175,450	0.90%
Impaired loans:				
- overdue less than 30 days	210,191	119,388	90,803	56.80%
- overdue more than 31 days and less than 90 days	103,421	68,671	34,750	66.40%
- overdue more than 91 days and less than 180 days	500,011	237,226	262,785	47.44%
- overdue more than 181 days and less than 270 days	152,770	65,697	87,073	43.00%
- overdue more than 271 days	120,844	29,172	91,672	24.14%
Total loans with individual signs of impairment	**2,164,405**	**529,848**	**1,634,557**	**24.48%**
Total loans to small and medium size companies	**53,095,344**	**988,250**	**52,107,094**	**1.86%**
Total loans to corporate customers	**269,938,286**	**5,102,518**	**264,835,768**	**1.89%**

	Gross loans AMD'000	**Impairment allowance AMD'000**	**Net loans AMD'000**	**Impairment allowance to gross loans %**
Loans to retail customers				
Mortgage loans				
- not overdue	16,914,866	33,830	16,881,036	0.20%
- overdue less than 30 days	110,517	4,432	106,085	4.01%
- 31-90 days overdue	50,502	2,025	48,477	4.01%
- 91-180 days overdue	257,282	43,490	213,792	16.90%
- overdue more than 271 days	57,158	10,721	46,437	18.76%
Total mortgage loans	**17,390,325**	**94,498**	**17,295,827**	**0.54%**
Credit cards				
- not overdue	13,187,072	27,246	13,159,826	0.21%
- overdue less than 30 days	144,801	23,569	121,232	16.28%

- 31-90 days overdue	51,646	12,068	39,578	23.37%
- 91-180 days overdue	81,472	23,595	57,877	28.96%
- 181-270 days overdue	78,719	30,460	48,259	38.69%
- overdue more than 271 days	1,044,373	25,394	1,018,979	2.43%
Total credit cards	**14,588,083**	**142,332**	**14,445,751**	**0.98%**
Business loans				
- not overdue	2,051,135	34,869	2,016,266	1.70%
- overdue less than 30 days	328,989	5,593	323,396	1.70%
- 31-90 days overdue	2,233	38	2,195	1.70%
- overdue more than 271 days	4,459	766	3,693	17.18%
Total business loans	**2,386,816**	**41,266**	**2,345,550**	**1.73%**
Auto loans				
- not overdue	2,810,826	5,622	2,805,204	0.20%
- overdue less than 30 days	48,962	98	48,864	0.20%
- 31-90 days overdue	19,271	87	19,184	0.45%
- 91-180 days overdue	16,470	3,129	13,341	19.00%
- 181-270 days overdue	9,155	18	9,137	0.20%
Total auto loans	**2,904,684**	**8,954**	**2,895,730**	**0.31%**
Consumer loans				
- not overdue	2,467,911	4,936	2,462,975	0.20%
- overdue less than 30 days	10,071	416	9,655	4.13%
- 31-90 days overdue	17,313	1,877	15,436	10.84%
- 91-180 days overdue	91,949	12,141	79,808	13.20%
- 181-270 days overdue	9,043	1,924	7,119	21.28%
Total consumer loans	**2,596,287**	**21,294**	**2,574,993**	**0.82%**
Total loans to retail customers	**39,866,195**	**308,344**	**39,557,851**	**0.77%**
Total loans to customers	**309,804,481**	**5,410,862**	**304,393,619**	**1.75%**

The following table provides information on the credit quality of 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 corporate customers				
Loans to large corporates				
Loans without individual signs of impairment:				
- not overdue	173,503,081	347,006	173,156,075	0.2%
- overdue more than 30 days and less than 90 days	600,387	1,201	599,186	0.2%
Total loans without individual signs of impairment:	**174,103,468**	**348,207**	**173,755,261**	**0.20%**
Loans with individual signs of impairment				
Not impaired loans:				
- overdue more than 270 days	3,255,951	6,512	3,249,439	0.2%
Impaired loans:				
- overdue more than 181 days and less than 270 days	191,645	20,805	170,840	10.9%
- overdue more than 270 days	2,237,556	1,213,973	1,023,583	54.3%
Total loans with individual signs of impairment	**5,685,152**	**1,241,290**	**4,443,862**	**21.83%**
Total loans to large corporates	**179,788,620**	**1,589,497**	**178,199,123**	**0.9%**
Loans to small and medium size companies				
Loans without individual signs of impairment:				
- not overdue	56,319,236	563,286	55,755,950	1.0%
- overdue less than 30 days	366,668	3,667	363,001	1.0%
- overdue more than 31 days and less than 90 days	793,744	7,937	785,807	1.0%
Total loans without individual signs of impairment	**57,479,648**	**574,890**	**56,904,758**	**1.00%**
Loans with individual signs of impairment				
Not impaired loans				
- overdue more than 91 days and less than 180 days	144,301	1,443	142,858	1.0%
- overdue more than 181 days and less than 270 days	23,112	231	22,881	1.0%
Impaired loans:				
- overdue more than 31 days and less than 90 days	46,879	4,918	41,961	10.5%
- overdue more than 91 days and less than 180 days	87,072	9,604	77,468	11.0%
- overdue more than 181 days and less than 270 days	414,121	43,440	370,681	10.5%
Total loans with individual signs of impairment:	**715,485**	**59,636**	**655,849**	**8.3%**
Total loans to small and medium size companies	**58,195,133**	**634,526**	**57,560,607**	**1.1%**
Total loans to corporate customers	**237,983,753**	**2,224,023**	**235,759,730**	**0.9%**

Loans to retail customers	**Gross loans AMD'000**	**Impairment allowance AMD'000**	**Net loans AMD'000**	**Impairment allowance to gross loans %**
Mortgage loans				
- not overdue	17,016,614	340,332	16,676,282	2.0%
- overdue less than 30 days	127,398	2,548	124,850	2.0%
- 31-90 days overdue	7,897	158	7,739	2.0%
- 91-180 days overdue	59,768	1,816	57,952	3.0%
- 181-270 days overdue	65,487	1,310	64,177	2.0%
Total mortgage loans	**17,277,164**	**346,164**	**16,931,000**	**2.0%**
Credit cards				
- not overdue	16,075,061	32,150	16,042,911	0.2%
- overdue less than 30 days	60,980	12,259	48,721	20.1%
- 31-90 days overdue	130,120	67,162	62,958	51.6%
- 91-180 days overdue	14,868	10,113	4,755	68.0%
- 181-270 days overdue	86,082	20,246	65,836	23.5%
Total credit cards	**16,367,111**	**141,930**	**16,225,181**	**0.9%**
Business loans				
- not overdue	2,495,719	4,991	2,490,728	0.2%
Total business loans	**2,495,719**	**4,991**	**2,490,728**	**0.2%**
Auto loans				
- not overdue	4,074,131	8,148	4,065,983	0.2%
- overdue less than 30 days	13,306	27	13,279	0.2%
- 31-90 days overdue	3,615	7	3,608	0.2%
- 181-270 days overdue	3,752	8	3,744	0.2%
Total auto loans	**4,094,804**	**8,190**	**4,086,614**	**0.2%**
Consumer loans				
- not overdue	3,292,354	6,585	3,285,769	0.20%
- overdue less than 30 days	4,826	113	4,713	2.34%
- 31-90 days overdue	10,419	2,632	7,787	25.26%
- 91-180 days overdue	17,462	35	17,427	0.20%
Total consumer loans	**3,325,061**	**9,365**	**3,315,696**	**0.28%**
Total loans to retail customers	**43,559,859**	**510,640**	**43,049,219**	**1.2%**
Total loans to customers	**281,543,612**	**2,734,663**	**278,808,949**	**1.0%**

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

(i) Loans to corporate customers

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

The objective indicators of loan impairment for loans to corporate customers include the following:

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

The Bank 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 have been identified.

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

- historic annual loss rate of 1% for loans to large corporates and 0.9% for loans to small and medium size companies
- a discount of between 20% and 30% to the originally appraised value if the property pledged is sold
- a delay of 12 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 as at 31 December 2015 would be up to AMD 2,648,357 thousand lower/higher (2014: AMD 2,357,597 thousand lower/higher).

(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
- loss migration rates of 0.21% applied in respect of credit card loans, 0.2% applied in respect of mortgage loans and 0.2% on auto and consumer loans
- historic annual loss rates applied in respect of business loans 1.7%.

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 retail customers as at 31 December 2015 would be up to AMD 1,186,735 thousand lower/higher (2014: AMD 1,291,477 thousand).

(c) Analysis of collateral

(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 important 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 main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities;
- For commercial lending, charges over real estate properties, inventory and trade receivables; cash collateral
- For retail lending, mortgages over residential properties.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. The Bank's policy is to issue mortgage loans with a loan-to-value ratio 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.

Secured credit card overdrafts are mainly secured by real estate and cars. Other credit card overdrafts are secured by salary. Business loans are secured by real estate and corporate shares. Auto loans are secured by the underlying cars. As of 31 December 2015 approximately 80% of consumer loans are secured by real estate or movable property, 0.47% is secured by salary and cash and 19% are secured by guarantees. Other retail loans are mainly secured by gold.

(iii) Repossessed collateral

During the year 2015, the Bank obtained certain assets by taking possession of collateral for loans to corporate customers amounting AMD 283,425 thousand (2014: AMD 420,169 thousand). As at 31 December 2014 the repocessed collateral comprise real estate and is classified as assets held for sale or other assets.

The Bank's intention is to sell these assets as soon as it is practicable.

(d) Industry and geographical analysis of the loan portfolio

Loans to customers were issued to customers who operate in the following economic sectors:

	2015 AMD'000	**2014 AMD'000**
Real estate	40,628,278	11,276,420
Wholesale trade	38,467,114	40,058,797
Power generation	30,454,541	19,286,065
Agriculture, forestry and timber	20,659,055	18,950,113
Food and beverage	18,954,719	23,325,577
Retail trade	18,321,627	18,133,476
Construction	17,478,567	20,161,498
Communication services	17,245,195	4,477,959
Mining/Metallurgy	17,102,521	17,666,644
Hotel service	11,643,854	11,830,145
Manufacturing	9,027,795	9,348,465
Transportation	8,320,660	8,972,125
Finance and investment	4,953,526	19,408,474
Municipal authorities	2,597,393	4,992,968
Other	14,083,441	10,095,027
Loans to retail customers	39,866,195	43,559,859
	309,804,481	**281,543,612**
Impairment allowance	(5,410,862)	(2,734,663)
	304,393,619	**278,808,949**

The geographical concentration of Bank's loans to corporate customers (net loans) is set out below:

	2015 AMD'000	2014 AMD'000
Armenia	216,506,386	201,255,671
OECD and EU	41,995,136	17,565,034
Other foreign countries	6,334,246	16,939,025
	264,835,768	**235,759,730**

(e) Significant credit exposures

As at 31 December 2015 the Bank has seven borrowers or groups of connected borrowers (2014: nine), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2015 is AMD 79,101,935 thousand (31 December 2014: AMD 49,368,323 thousand).

(f) Loan maturities

The maturity of the loan portfolio is presented in note 30 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

19 Receivables from letters of credit

	2015 AMD'000	2014 AMD'000
Receivables from letters of credit of banks	1,226,469	-
Receivables from letters of credit of other organizations	8,749,959	14,245,057
Impairment allowance	(19,953)	(28,490)
	9,956,475	**14,216,567**

No receivables from letters of credit are impaired or past due.

As at 31 December 2015 the Bank has no customer (2014: one customer), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2014 is AMD 5,280,350 thousand.

Movements in impairment allowance for the year 2015 and 2014 are as follows:

	2015 AMD'000	2014 AMD'000
Balance at the beginning of the year	28,490	–
Net charge	(8,537)	28,490
Write-offs	–	–
Balance at the end of the year	**19,953**	**28,490**

20 Receivables from finance leases

	2015 AMD'000	2014 AMD'000
Gross investment in finance leases receivable:		
Less than one year	716,500	1,183,377
Between one and five years	1,841,213	2,340,276
	2,557,713	**3,523,653**
Unearned finance income	(416,240)	(665,366)
Impairment allowance	(42,009)	(5,717)
Net investment in finance leases	**2,099,464**	**2,852,570**
The net investment in finance leases comprises:		
Less than one year	588,129	958,002
Between one and five years	1,511,335	1,894,568
	2,099,464	**2,852,570**

(a) Quality analysis of finance leases

The following table provides information on the quality analysis of finance leases as at 31 December 2015:

	Gross loans AMD'000	Impairment allowance AMD'000	Net loans AMD'000	Impairment allowance to gross loans %
Finance leases				
- not overdue	2,088,159	19,446	2,068,713	0.93%
- 91-180 days overdue	53,314	22,563	30,751	42.32%
Total finance leases	**2,141,473**	**42,009**	**2,099,464**	**1.96%**

(b) Concentration of receivables from finance leases

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

(c) Movement in impairment allowance

Movements in impairment allowance for the year 2015 and 2014 are as follows:

	2015 AMD'000	2014 AMD'000
Balance at the beginning of the year	5,717	–
Net charge	46,822	23,688
Write-offs	(10,530)	(17,971)
Balance at the end of the year	**42,009**	**5,717**

(d) Finance lease maturities

The maturity of the Bank's finance lease portfolio is presented in note 30 (d), which shows the remaining period from the reporting date to the contractual maturity of the receivables from finance leases.

(e) Geographical analysis of the finance lease portfolio

The majority of finance leases are with customers located within the Republic of Armenia .

21 Receivables from factoring

	2015 AMD'000	2014 AMD'000
Receivables from factoring	5,458,872	4,489,999
Impairment allowance	(10,918)	(8,980)
	5,447,954	**4,481,019**

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

Movements in impairment allowance for the year 2015 and 2014 are as follows:

	2015 AMD'000	2014 AMD'000
Balance at the beginning of the year	8,980	–
Net charge	113,812	8,063
Write-offs	(111,874)	917
Balance at the end of the year	**10,918**	**8,980**

22 Held-to-maturity investments

	2015 AMD'000	2014 AMD'000
Held by the Bank		
Debt and other fixed-income instruments		
- Government bonds		
Government securities of the Republic of Armenia	2,575,961	819,255
Eurobonds of the Republic of Armenia	-	-
- Corporate bonds		
International Financial Institutions	1,301,535	-
Other	796,348	101,413
	4,673,844	**920,668**
Pledged under sale and repurchase agreements		
- Government securities of the Republic of Armenia	7,912,045	7,193,845
- Eurobonds of the Republic of Armenia	6,984,816	5,952,409
- International Financial Institutions	-	767,067
- Other	-	201,541
	14,896,861	**14,114,862**

23 Property, equipment and intangible assets

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost/Revalued amount						
Balance at 1 January 2015	**1,626,201**	**2,640,538**	**541,291**	**188,435**	**893,308**	**5,889,773**
Additions	42,282	355,945	43,739	1.1	678,965	1,120,933
Disposals/write-offs	-	-34,383	(6,127)	(7,647)	(3,684)	(51,841)
Balance at 31 December 2015	**1,668,483**	**2,962,100**	**578,903**	**180,789**	**1,568,589**	**6,958,865**
Depreciation and amortization						
Balance at 1 January 2015	**603,492**	**1,628,538**	**309,686**	**157,815**	**359,598**	**3,059,129**
Depreciation and amortization for the year	169,278	325,547	78,412	10,492	169,482	753,211
Disposals/write-offs	-	(33,987)	(5,926)	(7,647)	(1,618)	(49,178)
Balance at 31 December 2015	**772,770**	**1,920,098**	**382,172**	**160,660**	**527,462**	**3,763,162**
Carrying amount						
At 31 December 2015	**895,713**	**1,042,002**	**196,731**	**20,129**	**1,041,127**	**3,195,703**

AMD'000	Leasehold improvement	Computers and communication equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost/Revalued amount						
Balance at 1 January 2014	**1,504,229**	**2,302,955**	**462,518**	**177,848**	**784,702**	**5,232,252**
Additions	121,972	337,583	78,773	12,812	145,692	696,832
Disposals/write-offs	-	-	-	(2,225)	(37,086)	(39,311)
Balance at 31 December 2014	**1,626,201**	**2,640,538**	**541,291**	**188,435**	**893,308**	**5,889,773**
Depreciation and amortization						
Balance at 1 January 2014	**406,326**	**1,294,932**	**207,634**	**149,802**	**279,273**	**2,337,967**
Depreciation and amortization for the year	197,166	333,606	102,052	10,238	117,411	760,473
Disposals/write-offs	-	-	-	(2,225)	(37,086)	(39,311)
Balance at 31 December 2014	**603,492**	**1,628,538**	**309,686**	**157,815**	**359,598**	**3,059,129**
Carrying amount						
At 31 December 2014	**1,022,709**	**1,012,000**	**231,605**	**30,620**	**533,710**	**2,830,644**

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

24 Other assets

	2015 AMD'000	2014 AMD'000
Brokerage accounts	205,552	247,673
Receivables from banking services	686,834	346,731
Restricted accounts with clearing houses	345,494	339,475
Other	-	-
Total other financial assets	**1,237,880**	**933,879**
Prepayments to suppliers	430,380	911,812
Repossessed assets	721,058	322,435
Small value assets	60,400	67,539
Other	53,014	173,487
Impairment allowance	(65,522)	(65,522)
Total other non-financial assets	**1,199,330**	**1,409,751**
Total other assets	**2,437,210**	**2,343,630**

Movements in the impairment allowance for other non-financial assets for the years ended 31 December 2015 and 31 December 2014 are as follows:

	2015 AMD'000	2014 AMD'000
Balance at the beginning of the year	65,522	65,522
Net charge	(3,361)	20,171
Write-offs	3,361	(20,171)
Balance at the end of the year	**65,522**	**65,522**

25 Deposits and balances from banks

	2015 AMD'000	2014 AMD'000
Short term loans and term deposits from commercial banks	3,849,834	10,292,230
Long term loans and term deposits from commercial banks	87,227	85,547
Borrowings from CBA (through international programs)	5,921,668	2,769,692
Liabilities for letters of credit	11,119,805	16,857,511
Vostro accounts	235,997	199,344
	21,214,531	**30,204,324**

As at 31 December 2015 the Bank has one bank (2014: three banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2015 is AMD 11,144,709 thousand (2014: AMD 18,821,471 thousand).

(a) Borrowings from CBA

According to the agreement the CBA provides loans to the Bank, which in turn grants loans to qualifying borrowers. The monitoring and administration of the loans is performed by the "Directing Office of the "German Armenian Foundation" program".

26 Current accounts and deposits from customers

	2015 AMD'000	2014 AMD'000
Current accounts and demand deposits		
- Retail	31,940,756	17,233,728
- Corporate	61,011,030	56,878,290
Term deposits		
- Retail	105,223,342	86,304,747
- Corporate	95,837,012	48,280,166
	294,012,140	**208,696,931**

As at 31 December 2015, the Bank has five customers (31 December 2014: ten customers) whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2015 is AMD 76,183,107 thousand (31 December 2014: AMD 57,902,264 thousand).

27 Other borrowed funds and subordinated borrowings

	2015 AMD'000	2014 AMD'000
Borrowings from international and other financial institutions	76,912,193	73,799,775
Borrowings from Government of Armenia	1,471,668	3,826,072
	78,383,861	**77,625,847**
Subordinated borrowings	**39,721,324**	**15,380,080**

(a) Concentration of borrowings from international financial institutions

As at 31 December 2015, the Bank has ten financial institutions (31 December 2014: nine), whose balances exceed 10% of equity. These balances as at 31 December 2015 are AMD 101,960,200 thousand (31 December 2014 : AMD 72,239,256 thousand).

(b) Borrowings from the Government of Armenia

The borrowings from the Government of Armenia include amounts lent under an agreement with the CBA (acting as the agent of the Government of Armenia) and the Bank. According to the agreement the CBA provides borrowings to the Bank, which in turn grants loans to qualifying borrowers. The monitoring and administration of the loans is performed by the "Directing Office of the "German Armenian Foundation" program".

The borrowings are in AMD, bear interest rates of 7.0-7.8%, are granted for period of up to five years and are to be repaid at maturity.

(c) Subordinated borrowing

As at 31 December 2015 subordinated borrowing represents three agreements with the amounting to AMD 39,721,324 thousand, maturing 2021-2022 with average interest rate 7.6%.One of three agreements is signed with the related party of the Bank (AMD 5,921,184 thousand). The other agreement (AMD 9,913,557 thousand) has the right to convert 62.5% of subordinated borrowing to ordinary shares.

In case of bankruptcy, the repayment of the subordinated borrowing will be made after repayment in full of all other liabilities of the Bank.

28 Other liabilities

	2015 AMD'000	**2014 AMD'000**
Payables to staff	1,738,221	1,733,715
Accrued expenses	636,227	372,126
Other financial liabilities	767,841	552,323
Total other financial liabilities	**3,142,289**	**2,658,164**
Deferred income	10,155	10,320
Other taxes payable	5,659	152,772
Total other non-financial liabilities	**15,814**	**163,092**
Total other liabilities	**3,158,103**	**2,821,256**

29 Share capital and treasury shares

(a) Issued capital and share premium

The authorized, issued and outstanding share capital comprises 100,273 ordinary shares (2014: 79,524). All shares have a nominal value of AMD 320 thousand.

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 Bank.

(b) Nature and purpose of reserves

Revaluation reserve for available-for-sale financial assets

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

(c) Dividends

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

During 2015 dividends paid amounted to AMD 2,100,000 thousand (2014: AMD 2,950,000 thousand).

30 Risk management

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

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Bank, 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 Management Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Risk Management Center is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of the Risk Management Center is responsible for the overall risk management, 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 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 Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Bank has 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 organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Center monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their 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, whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the General Director. Market risk limits are approved by the Management Board based on recommendations of the Risk Management Center.

The Bank 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.

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank’s overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

(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 Bank 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 and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by Asset and Liabilites Department in its day-to-day monitoring activities. 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	-	-	-	-	-	142,713,317	142,713,317
Available-for-sale financial assets	34,243	570,496	818,813	6,617,748	2,130,844	106,460	10,278,604
Loans and advances to banks	6,985,607	-	-	-	-	1,187,068	8,172,675
Amounts receivable under reverse repurchase agreements	5,980,477	-	-	-	-	-	5,980,477
Loans to customers	53,017,909	13,555,986	32,528,141	162,626,532	31,340,360	11,324,691	304,393,619
Receivables from letters of credit	1,446,604	1,462,728	3,059,828	3,987,315	-	-	9,956,475
Receivables from finance leases	252,760	138,994	307,254	1,366,298	34,159	-	2,099,464
Receivables from factoring	4,701,022	746,932	-	-	-	-	5,447,954
Held-to-maturity investments	1,563,685	3,492,092	2,998,617	10,877,982	638,329		19,570,706
	73,982,306	**19,967,229**	**39,712,653**	**185,475,875**	**34,143,691**	**155,331,536**	**508,613,290**
Liabilities							
Deposits and balances from banks	(5,946,744)	(1,207,719)	(3,603,911)	(8,262,368)	(2,193,789)	-	(21,214,531)
Amounts payable under repurchase agreements	(19,004,763)	-	-	-	-	-	(19,004,763)
Current accounts and deposits from customers	(61,159,253)	(33,413,051)	(54,740,255)	(51,657,186)	(90,609)	(92,951,786)	(294,012,140)
Subordinated borrowings	(33,909,489)	-	-	-	(5,811,835)	-	(39,721,324)
Other borrowed funds	(40,109,071)	(27,725,348)	(295,852)	(10,253,589)	-	-	(78,383,861)
	(160,129,320)	**(62,346,118)**	**(58,640,018)**	**(70,173,143)**	**(8,096,233)**	**(92,951,786)**	**(452,336,619)**
Effect of derivatives	8,300,710		(1,924,006)	(6,376,704)	-	-	-
Net position	**(77,846,304)**	**(42,378,890)**	**(20,851,371)**	**108,926,028**	**26,047,458**	**62,379,750**	**56,276,671**

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	–	–	–	–	–	68,115,676	68,115,676
Available-for-sale financial assets	174,800	53,529	41,410	2,540,545	4,694,822	106,458	7,611,564
Loans and advances to banks	–	–	–	–	–	1,157,853	1,157,853
Amounts receivable under reverse repurchase agreements	1,526,358	–	–	–	–	–	1,526,358
Loans to customers	39,627,977	26,265,045	42,391,158	137,469,519	29,891,193	3,164,057	278,808,949
Receivables from letters of credit	413,048	163,865	919,180	12,720,474	–		14,216,567
Receivables from finance leases	237,699	250,746	471,045	1,804,744	88,336	–	2,852,570
Receivables from factoring	3,201,754	1,091,531	187,734	–	–	–	4,481,019
Held-to-maturity investments	1,867,550	952,514	1,061,373	5,121,613	6,032,480		15,035,530
	47,049,186	**28,777,230**	**45,071,900**	**159,656,895**	**40,706,831**	**72,544,044**	**393,806,086**
Liabilities							
Deposits and balances from banks	(9,639,684)	(4,482,783)	(3,893,266)	(10,812,328)	(1,376,263)	–	(30,204,324)
Amounts payable under repurchase agreements	(21,301,407)	–	–	–	–	–	(21,301,407)
Current accounts and deposits from customers	(57,243,647)	(23,132,957)	(44,728,848)	(9,373,482)	(105,979)	(74,112,018)	(208,696,931)
Subordinated borrowings	(9,680,440)				(5,699,640)		(15,380,080)
Other borrowed funds	(21,693,866)	(40,726,091)	(13,772,286)	(1,433,604)	–	–	(77,625,847)
	(119,559,044)	**(68,341,831)**	**(62,394,400)**	**(21,619,414)**	**(7,181,882)**	**(74,112,018)**	**(353,208,589)**
Effect of derivatives	11,928,223	–	(1,889,085)	(10,039,138)	–	–	–
Net position	**(60,581,635)**	**(39,564,601)**	**(19,211,585)**	**127,998,343**	**33,524,949**	**(1,567,974)**	**40,597,497**

Average interest rates

Interest rates for interest bearing assets and liabilities are an approximation of the yields to maturity of these assets and liabilities, except for loans included in other borrowed funds of AMD 67,852,500 thousand (AMD 71,166,443 thousand), the interest rates on which are repriced on a semi-annual basis based on LIBOR as follows:

Interest rate repricing date	*2015 AMD'000*	*Interest rate repricing date*	*2014 AMD'000*
8 January 2016	4,493,714	8 January 2015	4,745,819
16 February 2016	6,736,821	15 February 2015	9,665,478
29 February 2016	7,394,844	16 February 2015	9,253,770
9 March 2016	9,829,954	26 February 2015	7,240,371
15 March 2016	12,120,666	16 March 2015	478,966
5 April 2016	487,320	2 April 2015	382,695
15 April 2016	13,758,645	15 April 2015	15,429,293
18 April 2016	3,622,384	16 April 2015	119,962
12 May 2016	875,801	17 April 2015	5,034,927
17 May 2016	77,449	12 May 2015	717,211
27 May 2016	3,821,159	17 May 2015	10,220
6 June 2016	976,856	18 May 2015	182,320
10 June 2016	3,656,887	27 May 2015	763,632
	67,852,500	29 May 2015	6,355,853
		10 June 2015	3,647,272
		16 June 2015	7,138,654
			71,166,443

Average effective interest rates

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

	2015 Average effective interest rate, %			**2014 Average effective interest rate, %**		
	AMD	**USD**	**Other currencies**	**AMD**	**USD**	**Other currencies**
Interest bearing assets						
Available-for-sale financial assets	9.72%	6.36%	–	11.90%	5.73%	–
Loans and advances to banks	9.31%	7.08%	–	–	–	–
Amounts receivable under reverse repurchase agreements	10.60%	–	–	24.00%	–	–
Loans to customers	13.70%	10.58%	10.11%	14.54%	10.54%	10.14%
Receivables from finance leases	14.88%	11.29%	9.75%	15.19%	11.31%	11.03%
Receivables from factoring	18.00%	11.08%	13.41%	15.73%	11.40%	12.33%
Held-to-maturity investments	6.49%	6.10%	–	12.19%	5.47%	–
Interest bearing liabilities						
Deposits and balances from banks	7.42%	1.75%	1.76%	6.00%	3.23%	2.52%
Amounts payable under repurchase agreements	9.16%	–	–	20.00%	–	–
Term deposits	12.12%	6.31%	5.96%	9.17%	6.23%	4.53%
Subordinated borrowings	-	7.60%	–		6.18%	–
Other borrowed funds	14.07%	5.56%	–	9.74%	5.50%	–

(ii) Currency risk

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

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

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

	USD	EUR	Other currencies	Total
	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS				
Cash and cash equivalents	60,141,868	15,012,464	1,521,188	76,675,520
Banking standardized bullions of precious metals	-	-	77,973	77,973
Available-for-sale financial assets	3,333,610	-	-	3,333,610
Loans and advances to banks	3,184,243	63,443	16,550	3,264,236
Loans to customers	228,478,298	12,485,159	-	240,963,457
Receivables from letters of credit	4,681,253	5,295,175	-	9,976,428
Receivables from finance leases	1,206,759	473,256	-	1,680,015
Receivables from factoring	5,277,664	12,878	11,584	5,302,126
Held-to-maturity investments	7,478,416	-	-	7,478,416
Other financial assets	1,163,741	65,068	12,098	1,240,907
Total assets	**314,945,852**	**33,407,443**	**1,639,393**	**349,992,688**
LIABILITIES				
Financial instruments at fair value through profit or loss	105,902	-	-	105,902
Deposits and balances from banks	10,295,701	4,932,921	113,686	15,342,308
Current accounts and deposits from customers	188,172,730	28,185,894	2,929,210	219,287,834
Subordinated borrowings	39,721,324	-	-	39,721,324
Other borrowed funds	69,615,481	-	-	69,615,481
Other financial liabilities	701,156	306,350	55,264	1,062,770
Total liabilities	**308,612,294**	**33,425,165**	**3,098,160**	**345,135,619**
Net position	**6,333,558**	**(17,722)**	**(1,458,767)**	**4,857,069**
Effect of derivatives	(2,321,837)	-	1,490,584	(831,253)
Net position	**4,011,721**	**(17,722)**	**31,817**	**4,025,816**

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

	USD	EUR	Other currencies	Total
	AMD'000	AMD'000	AMD'000	AMD'000
ASSETS				
Cash and cash equivalents	8,547,326	6,840,148	1,882,493	17,269,967
Banking standardized bullions of precious metals	-	-	200,232	200,232
Available-for-sale financial assets	3,355,802	-	-	3,355,802
Loans and advances to banks	318,948	11,549	36,842	367,339
Loans to customers	233,285,293	8,698,674	-	241,983,967
Receivables from letters of credit	7,617,134	6,627,922	-	14,245,056
Receivables from finance leases	1,595,526	708,369	-	2,303,895
Receivables from factoring	1,775,182	51,641	12,049	1,838,872
Held-to-maturity investments	5,952,408	-	-	5,952,408
Other financial assets	836,751	108,293	12,921	957,965
Total assets	**263,284,370**	**23,046,596**	**2,144,537**	**288,475,503**

	USD AMD'000	EUR AMD'000	Other currencies AMD'000	Total AMD'000
LIABILITIES				
Financial instruments at fair value through profit or loss	161,487	-	-	161,487
Deposits and balances from banks	17,092,270	10,333,760	106	27,426,136
Current accounts and deposits from customers	147,760,605	24,193,947	2,144,104	174,098,656
Subordinated borrowings	15,478,987	-	-	15,478,987
Other borrowed funds	65,737,532	-	-	65,737,532
Other financial liabilities	327,838	82,892	6,592	417,322
Total liabilities	**246,558,719**	**34,610,599**	**2,150,802**	**283,320,120**
Net position	**16,725,651**	**(11,564,003)**	**(6,265)**	**5,155,383**
Effect of derivatives	(13,133,572)	11,549,400	19,122	(1,565,050)
Net position	**3,592,079**	**(14,603)**	**12,857**	**3,590,333**

A strengthening of the AMD, as indicated below, against the following currencies at 31 December 2015 and 31 December 2014 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank 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	**2014**
	Profit or loss AMD'000	**Profit or loss AMD'000**
10% appreciation of AMD against USD	(431,636)	(359,208)
10% appreciation of AMD against EUR	1,772	1,460

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

(c) Credit risk

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

The credit policy establishes:

- procedures for review and approval of 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 control and 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 Loan 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 loan credit application and the report are then independently reviewed by the Risk Management Center and a second opinion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department. Individual transactions are also reviewed by the Legal department depending on the specific risks and pending final approval of the Credit Committee.

The Bank 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 Bank. Retail loan credit applications are reviewed by the Retail Lending Subdivisions.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Management Center with regard to credit concentration and market risks.

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

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

	2015 AMD'000	**2014 AMD'000**
ASSETS		
Cash and cash equivalents	126,870,191	58,548,909
Financial instruments at fair value through profit or loss	465,303	-
Available-for-sale financial assets	10,278,601	7,611,564
Loans and advances to banks	8,172,675	1,157,853
Amounts receivable under reverse repurchase agreements	5,980,477	1,526,358
Loans to customers	304,393,619	278,808,949
Receivables from letters of credit	9,956,475	14,216,567
Receivables from finance leases	2,099,464	2,852,570
Receivables from factoring	5,447,954	4,481,019
Held-to-maturity investments	19,570,705	15,035,530
Other financial assets	1,237,880	933,879
Total maximum exposure	**494,473,344**	**385,173,198**

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

For the analysis of collateral hexld against loans to customers and concentration of credit risk in respect of loans to customers refer to note 18.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in note 32.

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

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

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

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

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

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

AMD'000

Types of financial assets/liabilities	**Gross amounts of recognized financial asset/liability**	**Gross amount of recognized financial liability/asset offset in the statement of financial position**	**Net amount of financial assets/liabilities presented in the statement of financial position**	**Related amounts not offset in the statement of financial position**		**Net amount**
				Financial instruments	**Cash collateral received**	
Short term receivables from banks	113,681	-	113,681	(113,600)	-	81
Financial instruments at fair value through profit or loss	465,955	-	465,955	(652)		465,303
Total financial assets	**579,636**	-	**579,636**	**(114,252)**	-	**465,384**
Financial instruments at fair value through profit or loss	(584,316)	-	(584,316)	1,756	-	(582,560)
Total financial liabilities	**(584,316)**	-	**(584,316)**	**1,756**	-	**(582,560)**

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

AMD'000

Types of financial assets/liabilities	Gross amounts of recognized financial asset/liability	Gross amount of recognized financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Amounts receivable under reverse repurchase agreements	1,526,358	-	1,526,358	(1,527,421)	-	(1,063)
Total financial assets	**1,526,358**	**-**	**1,526,358**	**(1,527,421)**	**-**	**(1,063)**
Amounts payable under repurchase agreements	(21,301,407)	-	(21,301,407)	21,207,645	-	(93,762)
Total financial liabilities	**(21,301,407)**	**-**	**(21,301,407)**	**21,207,645**	**-**	**(93,762)**

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

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

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

The liquidity management policy requires:

- projecting cash flows by major currencies and considering 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 Assets and Liabilities Department receives information from structural subdivisions regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Assets and Liabilities 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 and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained.

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 Assets and Liabilities Department. Under the 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 ALCO and implemented by the Assets and Liabilities Department.

The table below shows an analysis, by expected maturities, of the amounts recognised 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	142,713,317	-	-	-	-	-	-	**142,713,317**
Banking standardized bullions of precious metals	-	-	-	-	-	77,973	-	**77,973**
Financial instruments at fair value through profit or loss	-	-	-	465,303	-	-	-	**465,303**
Available-for-sale financial assets	-	34,243	1,389,309	6,617,748	2,130,843	106,458	-	**10,278,601**
Loans and advances to banks	5,748,086	1,237,521	-	-	-	1,187,068	-	**8,172,675**
Amounts receivable under reverse repurchase agreements	5,980,477	–	–	-	-	-	-	**5,980,477**
Loans to customers	14,437,184	14,102,725	51,861,129	173,964,477	38,703,412	-	11,324,691	**304,393,619**
Receivables from letters of credit	1,138,225	308,379	4,522,556	3,987,315	-	-	-	**9,956,475**
Receivables from finance leases	87,295	165,465	446,247	1,366,298	34,159	-	-	**2,099,464**
Receivables from factoring	2,919,226	1,781,796	746,932	-	-	-	-	**5,447,954**
Held-to-maturity investments	1,274,824	288,860	6,490,709	10,877,982	638,330	-	-	**19,570,705**
Property, equipment and intangible assets	-	-	-	-	-	3,195,703	-	**3,195,703**
Current tax asset	-	-	1,027,172	-	-	-	-	**1,027,172**
Other assets	892,907	93,568	1,101,311	-		349,424	-	**2,437,210**
Total assets	**175,191,541**	**18,012,557**	**67,585,367**	**197,279,123**	**41,506,744**	**4,916,626**	**11,324,691**	**515,816,648**
LIABILITIES								
Financial instruments at fair value through profit or loss	3,904	58,674	30,542	489,440		-	-	**582,560**
Amounts payable under repurchase agreements	19,004,763	-	-	-	-	-	-	**19,004,763**
Deposits and balances from banks	1,825,831	4,120,912	4,811,630	8,262,368	2,193,789	-	-	**21,214,531**
Current accounts and deposits from customers	117,925,467	36,185,264	88,153,500	51,657,299	90,610	-	-	**294,012,140**
Subordinated borrowings	22,448	357,282	-	9,595,511	29,746,083	-	-	**39,721,324**
Other borrowed funds	531,500	2,734,291	12,543,144	56,871,027	5,703,900	-	-	**78,383,861**
Deferred tax liability	-	-	415,831	-	-	-	-	**415,831**
Other liabilities	767,914	67,876	2,322,313	-	-	-	-	**3,158,103**
Total liabilities	**140,081,827**	**43,524,300**	**108,276,960**	**126,875,645**	**37,734,381**	**-**	**-**	**456,493,113**
Net position	**35,109,713**	**(25,511,743)**	**(40,691,593)**	**70,403,478**	**3,772,363**	**4,916,626**	**11,324,691**	**59,323,535**

The table below shows an analysis, by expected maturities, of the 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	68,115,676	–	–	–	–	–	–	**68,115,676**
Available-for-sale financial assets	–	174,800	94,938	2,540,546	4,694,822	106,458	–	**7,611,564**
Loans and advances to banks	515,026		–	–	–	642,827	–	**1,157,853**
Amounts receivable under reverse repurchase agreements	1,526,358	–	–	–	–	–	–	**1,526,358**
Loans to customers	23,724,390	15,903,586	68,656,203	137,469,520	29,891,193		3,164,057	**278,808,949**
Receivables from letters of credit	64,711	319,847	1,083,045	12,748,964	–	–	–	**14,216,567**
Receivables from finance leases	78,448	159,251	721,791	1,804,744	88,336	–	–	**2,852,570**
Receivables from factoring	1,473,248	1,728,506	1,279,265	–	–	–	–	**4,481,019**
Held-to-maturity investments	–	1,867,550	2,013,887	5,121,613	6,032,480		–	**15,035,530**
Assets held for sale	–	–	420,927	–	–	–	–	**420,927**
Deferred tax asset	–	–	–	–	–	142,618	–	**142,618**
Property, equipment and intangible assets	–	–	–	–	–	2,830,644	–	**2,830,644**
Other assets	743,029	945,102	516,257	–		339,475		**2,543,863**
Total assets	**96,240,886**	**21,098,642**	**74,786,313**	**159,685,387**	**40,706,831**	**4,062,022**	**3,164,057**	**399,744,138**
Liabilities								
Financial instruments at fair value through profit or loss	–	311,654	348,250	13,828	–	–	–	**673,732**
Amounts payable under repurchase agreements	21,301,407	–	–	–	–	–	–	**21,301,407**
Deposits and balances from banks	1,585,656	8,054,028	8,376,049	10,812,328	1,376,263	–	–	**30,204,324**
Current accounts and deposits from customers	106,658,123	24,697,543	67,861,804	9,373,482	105,979	–	–	**208,696,931**
Subordinated borrowing	–	283,194			15,096,886	–	–	**15,380,080**
Other borrowed funds	–	2,087,516	32,190,033	36,786,752	6,561,546	–	–	**77,625,847**
Current tax liability	–	–	685,795	–	–	–	–	**685,795**
Other liabilities	396,920	2,332,649	91,687	–	–	–	–	**2,821,256**
Total liabilities	**129,942,106**	**37,766,584**	**109,553,618**	**56,986,390**	**23,140,674**	–	–	**357,389,372**
Net position	**(33,701,220)**	**(16,667,942)**	**(34,767,305)**	**102,698,997**	**17,566,157**	**4,062,022**	**3,164,057**	**42,354,766**

The key measure used by the Bank for managing liquidity risk is the ratio of highly liquid assets to demand liabilities. For this purpose highly liquid assets include cash, nostro accounts, debt securities issued by the Government of Armenia, CBA and other corporate debt securities for which there is an active and liquid market, which are not pledged or the use of which is not restricted in any way. Demand liabilities include current accounts and demand deposits of customers, as well as any other liability that is payable on demand. The reported ratios of highly liquid assets to demand liabilities as at 31 December and during the reporting period are as follows:

	2015 AMD'000	**2014 AMD'000**
At 31 December (unaudited)	177%	119%
Average for December (unaudited)	151%	126%

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

31 Capital management

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

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the Central Bank of Armenia, which are based on Basle Accord principles, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2015 and 31 December 2014, this minimum level was 12%. The Bank is in compliance with the statutory capital ratio as at 31 December 2015 and 31 December 2014.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Central Bank of Armenia, as at 31 December 2015 and 31 December 2014:

	2015 AMD'000 Unaudited	**2014 AMD'000 Unaudited**
Tier 1 capital		
Share capital	32,087,360	25,447,680
Share premium	7,755,180	28,572
General reserve	4,127,146	4,127,146
Retained earnings	11,842,250	11,508,621
Deductions	(1,806,935)	(1,656,245)
Total tier 1 capital	**54,005,001**	**39,455,774**
Tier 2 capital		
Revaluation reserve for available-for-sale financial assets	(251,309)	(132,315)
Subordinated borrowing (not greater than 50% of tier 1 capital)	27,253,810	15,199,040
Total tier 2 capital	**27,002,501**	**15,066,725**
Total capital	**81,007,502**	**54,522,499**
Total risk weighted assets	**401,512,924**	**398,811,974**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**20.2%**	**13.7%**

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

32 Commitments

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

The Bank 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 five years. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The Bank 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 recognised at the reporting date if counterparties failed completely to perform as contracted.

	2015 AMD'000	**2014 AMD'000**
Contracted amount		
Guarantees	11,611,167	11,048,782
Letters of credit	3,045,891	139,292
Credit card commitments	6,787,810	6,698,182
Loan and credit line commitments	5,459,585	6,163,643
Undrawn overdraft facilities	5,355,413	1,914,565
	32,259,866	**25,964,464**

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.

33 Operating leases

(a) Leases as lessee

Non-cancelable operating lease rentals as at 31 December 2015 and 2014 are payable as follows:

	2015 AMD’000	2014 AMD’000
Less than 1 year	1,629,630	694,234
Between 1 and 5 years	1,562,390	2,343,263
More than 5 years	585,119	887,139
	3,777,139	**3,924,636**

The Bank leases a number of premises and equipment under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. Less than 1 year leases includes contingent rentals amounted AMD 850,549 thousand.

34 Contingencies

(a) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank has up to AMD 6,521,734 thousand coverage for each type of insurance including for its premises and equipment, business interruption, third party liability in respect of accidents on the Bank’s property or related to operations.

(b) Litigation

In the ordinary course of business, the Bank 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.

(c) Taxation contingencies

The taxation system in the Republic of Armenia is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, 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.

35 Related party transactions

(a) Control relationships

The Bank's parent company is Ameria Group (CY) Limited, which owns 79.3% of the share capital, the party with ultimate control over which is Ruben Vardanyan.

No publicly available financial statements are produced by the Bank's parent company.

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

Total remuneration included in personnel expenses for the quarter ended 31 December are as follows:

	2015 AMD'000	2014 AMD'000
Short-term employee benefits	2,267,194	1,913,379

These amounts include non-cash benefits in respect of the members of the Board of Directors and the Management Board.

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

	2015 AMD'000	Average interest rate, %	2014 AMD'000	Average interest rate, %
Statement of financial position				
Loans issued	957,650	6.44%	567,065	6.9%
Other asset	1,771	0.0%	1,503	0.0%
Deposits received	1,139,953	6.79%	1,119,864	7.0%
Guarantees	33,863	0.0%	33,248	0.0%

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

	2015 AMD'000	2014 AMD'000
Profit or loss		
Interest income	42,951	32,130
Interest expense	(64,119)	(66,216)

(c) 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 quarter ended 31 December 2015 with other related parties are as follows:

	Parent company		**Shareholder with significant influence**		**Other subsidiaries of the parent company**		**Other**		
	AMD'000	**Average interest rate, %**	**AMD'000**	**Average interest rate, %**	**AMD'000**	**Average interest rate, %**	**AMD'000**	**Average interest rate, %**	**Total AMD'000**
Statement of financial position									
ASSETS									
Financial instruments at fair value through profit or loss	-	-	-	-	-	-	465,960	-	**465,960**
Available-for-sale financial assets	-	-	678,138	12.0%	-	-	-	-	**678,138**
Loans to customers	-	-	-	-	-	-	30,680,658	13.4%	**30,680,658**
Held-to-maturity investments	-	-	1,051,056	12.0%	-	-	-	-	**1,051,056**
LIABILITIES									
Financial instruments at fair value through profit or loss	-		-				473,034		**473,034**
Current accounts and deposits from customers									
- Current accounts and demand deposits	2,020,704	0.0%	1,444	0.0%	84,166	0.0%	7,398,708	0.0%	**9,505,022**
- Term deposits	-	-	-	-	2,916,150	3.5%	28,580,396	12.8%	**31,496,546**
Subordinated borrowing	-	-	-	-	-	-	5,932,070	6.0%	**5,932,070**
Other borrowing	-	-	9,796,186	13.2%	-	-	-	-	**9,796,186**
Items not recognised in the statement of financial position									
Guarantees given	-	-	8,740,522	-	-	-	18,504	0.0%	**8,579,026**
Not used Credit lines			967,500				-		**967,500**
Purchase swap	-	-	-	-	-	-	54,453,873	-	**54,453,873**
Sales swap	-	-	-	-	-	-	54,460,951	-	**54,460,951**
Profit (loss)									
Interest income	-	-	-	-	-	-	2,695,312	-	**2,695,312**
Interest expense	-	-	(28,685)	-	(37,453)	-	(1,260,516)	-	**(1,326,654)**
General administrative expenses	-	-	-	-	-	-	-	-	-

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 quarter ended 31 December 2014 with other related parties are as follows:

	Parent company		**Other subsidiaries of the parent company**		**Other**		
	AMD'000	**Average interest rate, %**	**AMD'000**	**Average interest rate, %**	**AMD'000**	**Average interest rate, %**	**Total AMD'000**
Statement of financial position							
ASSETS							
Loans to customers	–	–	-	-	2,440,124	8.1%	**2,440,124**
Other asset	–	–	-	-	1,197	0.0%	**1,197**
LIABILITIES							
Current accounts and deposits from customers							
- Current accounts and demand deposits	52,828	0.0%	467,688	0.0%	9,353,839	0.0%	**9,874,355**
- Term deposits	–		66,680	3.9%	516,769	6.6%	**583,449**
Other liabilities	–		7,000	0.0%	593	0.0%	**7,593**
Subordinated borrowing	–	–	–	-	5,825,503	6.0%	**5,825,503**
Items not recognised in the statement of financial position							
Guarantees given	–	–	15,225	-	20,211	0.0%	**35,436**
Profit (loss)							
Interest income	–	–	13,170	-	2,230	-	**15,400**
Interest expense	–	–	(6,831)	-	(257,447)	-	**(264,278)**
General administrative expenses	–	–	-	-	(6,452)	-	**(6,452)**

36. Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

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 premia 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.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

The estimated fair values of all financial instruments except for unquoted equity securities available-for-sale, loans to customers and held-to-maturity investments approximate their carrying values. As at 31 December 2015 fair value of unquoted equity securities available-for-sale with a carrying value of AMD 106,458 thousand (2014: AMD 106,458 thousand) cannot be determined.

The table below sets out the carrying amounts and fair values of loans to customers and held-to-maturity investments as at 31 December 2015:

	Carrying amount AMD'000	Fair value AMD'000
Loans to customers	304,393,619	300,505,770
Held-to-maturity investments	19,570,705	18,933,331
Total	**323,964,324**	**319,439,101**

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2014:

	Carrying amount AMD'000	Fair value AMD'000
Loans to customers	278,808,949	276,720,071
Held-to-maturity investments	15,035,530	14,703,551
Total	**293,844,479**	**291,423,622**

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 3.5% and 11.6%-16.4% are used for discounting future cash flows from loans and advances to banks and loans to customers, respectively;
- discount rates of 5.5%-12% are used for discounting future cash flows for liabilities.

(b) Fair value hierarchy

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

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

The table below analyses financial instruments measured at fair value at 31 December 2015, by the level in the fair value hierarchy into which the fair value measurement is categorised. 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	-	466,407	**466,407**
- Derivative liabilities	-	(583,664)	**(583,664)**
Available-for-sale financial assets			
- Debt instruments	-	**10,172,143**	**10,172,143**
	-	**10,054,886**	**10,054,886**

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 categorised. 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	-	866,172	**866,172**
- Derivative liabilities	-	(1,539,904)	**(1,539,904)**
Available-for-sale financial assets			
- Debt instruments		7,505,106	**7,505,106**
	-	**6,831,374**	**6,831,374**