“ACBA LEASING”
Credit Organization CJSC

Financial Statements
for the year ended 31 December 2015

Contents

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Independent Auditors' Report

To the Board of Directors
"ACBA LEASING" Credit Organization CJSC

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Other Matter

The financial statements of the Organization as at and for the year ended 31 December 2014 were audited by other auditors whose report dated 28 February 2015 expressed an unmodified opinion on those statements.

Tigran Gasparyan
Managing Partner, Director of KPMG Armenia cjsc

KPMG Armenia cjsc

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«KPMG» ARMENIA
02529689

KPMG Armenia cjsc
30 May 2016

	Notes	2015 AMD'000	2014 AMD'000
Interest income	4	1,195,805	1,144,066
Interest expense	4	(577,154)	(626,836)
Net interest income		**618,651**	**517,230**
Fee and commission income		135,895	86,000
Fee and commission expense		(10,746)	(17,584)
Net fee and commission income		**125,149**	**68,416**
Net foreign exchange loss		(14,742)	(7,680)
Other operating income	5	156,106	96,759
Other operating expense	6	(316,536)	(145,587)
Operating income		**568,628**	**529,138**
Impairment losses	7	(204,779)	(51,972)
Personnel expenses		(189,592)	(179,042)
Other general administrative expenses	8	(100,935)	(89,322)
Profit before income tax		**73,322**	**208,802**
Income tax expense	9	(72,821)	(70,621)
Profit and total comprehensive income for the year		**501**	**138,181**

The financial statements as set out on pages 5 to 40 were approved by management on 30 May 2016 and were signed on its behalf by:

Arsen Babikyan
General Director

«ACBA LEASING» CREDIT ORGANIZATION CJSC
RA
«02567702»

Sargis Saribekyan
Chief Accountant

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

	Notes	2015 AMD’000	2014 AMD’000
ASSETS			
Cash and cash equivalents		59,187	135,002
Placements with banks	10	1,898,026	4,349,591
Receivables from finance leases	11	9,863,446	9,154,785
Property, equipment and intangible assets	12	352,717	380,171
Current tax assets		21,462	-
Deferred tax assets		-	322
Other assets	13	464,319	806,306
Total assets		**12,659,157**	**14,826,177**
LIABILITIES			
Loans from banks	14	985,849	3,354,576
Other borrowed funds	15	8,233,961	8,017,700
Current tax liability		-	9,098
Deferred tax liabilities	9	43,872	-
Other liabilities	16	225,141	274,970
Total liabilities		**9,488,823**	**11,656,344**
EQUITY			
Share capital	17	1,175,215	1,175,215
Retained earnings		1,995,119	1,994,618
Total equity		**3,170,334**	**3,169,833**
Total liabilities and equity		**12,659,157**	**14,826,177**

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

	2015 AMD’000	2014 AMD’000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	1,213,139	1,128,696
Interest payments	(591,135)	(630,999)
Fees and commissions received	135,895	86,000
Fees and commission payments	(10,746)	(17,584)
Net payments for foreign exchange	(14,742)	(7,680)
Other (expense)/income payments	(17,633)	42,035
Salaries and other payments to employees	(189,733)	(175,975)
Other general administrative expenses payments	(70,860)	(59,867)
(Increase)/decrease in operating assets		
Placements with banks	2,484,063	(586,463)
Finance lease receivables	(674,113)	(260,076)
Other assets	(5,479)	(261,819)
Increase/(decrease) in operating liabilities		
Other liabilities	(53,058)	137,393
Net cash from/(used in) operating activities before income tax paid	**2,205,598**	**(606,339)**
Income tax paid	(59,187)	(89,282)
Cash flows from/(used in) operations	**2,146,411**	**(695,621)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and intangible assets	(2,621)	(1,962)
Cash flows used in investing activities	**(2,621)**	**(1,962)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts of loans from bank	970,800	-
Repayments of loans from banks	(3,360,110)	-
Receipts of other borrowed funds	1,312,208	2,704,375
Repayments of other borrowed funds	(1,152,288)	(1,996,573)
Cash flows (used in)/from financing activities	**(2,229,390)**	**707,802**
Net (decrease)/increase in cash and cash equivalents	**(85,600)**	**10,219**
Effect of changes in exchange rates on cash and cash equivalents	9,785	21,877
Cash and cash equivalents as at the beginning of the year	135,002	102,906
Cash and cash equivalents as at the end of the year	**59,187**	**135,002**

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

AMD'000	**Share capital**	**Retained earnings**	**Total equity**
Balance as at 1 January 2014	1,175,215	1,856,437	3,031,652
Total comprehensive income			
Profit for the year	-	138,181	138,181
Total comprehensive income for the year	**-**	**138,181**	**138,181**
Balance as at 31 December 2014	**1,175,215**	**1,994,618**	**3,169,833**
Balance as at 1 January 2015	1,175,215	1,994,618	3,169,833
Total comprehensive income			
Profit for the year	-	501	501
Total comprehensive income for the year	**-**	**501**	**501**
Balance as at 31 December 2015	**1,175,215**	**1,995,119**	**3,170,334**

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

1 Background

(a) Organization and operations

"ACBA LEASING" Credit Organization (the "Organization") was incorporated in the Republic of Armenia in 2003 as a closed joint-stock company. The activities of the Organization are regulated by the Central Bank of Armenia (CBA). The Organization has a credit organization license.

The principal activities of the Organization are finance lease operations with corporate and individual customers.

All assets and liabilities of the Organization are located in the Republic of Armenia. The Organization's registered office is 10 Vazgen Sargsyan Street, Yerevan 0010, Republic of Armenia.

(b) Armenian business environment

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements are prepared on the historical cost basis.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in note 11 “Receivables from finance leases” and note 23 “Fair values of financial instruments”.

3 Significant accounting policies

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

(a) Foreign currency

Transactions in foreign currencies are translated to the AMD at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

(b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, and unrestricted current accounts with banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Organization in the management of short-term commitments. Cash and cash equivalents are carried at amortized 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 a financial guarantee contract or a designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

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

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

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

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

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

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

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

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

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

(ii) Recognition

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

(iii) Measurement

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

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

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

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

(iv) Amortized cost

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

(v) Fair value measurement principles

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

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

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

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

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

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

(vi) Gains and losses on subsequent measurement

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

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

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

(vii) Derecognition

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

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

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

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

The Organization writes off assets deemed to be uncollectible.

(viii) 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) Leases

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

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

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

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

(e) Property and equipment

(i) Owned assets

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

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

(ii) Depreciation

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

-	buildings	20 years
-	computer equipment	1 to 3 years
-	fixtures and fittings	3 to 5 years
-	motor vehicles	3 to 5 years

(f) Intangible assets

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

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

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

(g) Impairment

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

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

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

(i) Financial assets carried at amortized cost

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

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

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

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

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

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

(ii) 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 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.

(h) Provisions

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

(i) Credit related commitments

In the normal course of business, the Organization enters into credit related commitments, comprising undrawn finance lease commitments.

(j) Share capital and dividends

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

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

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

(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 recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

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

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

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

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

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

(l) Income and expense recognition

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

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

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

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

(m) New standards and interpretations not yet adopted

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

New or amended standard	Summary of the requirements	Possible impact on financial statements
IFRS 9 *Financial Instruments*	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Organization is assessing the potential impact on its financial statements resulting from the application of IFRS 9.
IFRS 16 *Leases*	IFRS 16 replaces the existing lease accounting guidance in IAS 17 *Leases,* IFRIC 4 *Determining whether an Arrangement contains a lease,* SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. It eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice - i.e. lessors continue to classify leases as finance and operating leases. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, early adoption is permitted if IFRS 15 *Revenue from Contracts with Customers* is also adopted.	The Organization is assessing the potential impact on its financial statements resulting from the application of IFRS 16.
Various *Improvements to IFRS*	Various *Improvements to IFRS* are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2016.	The Organization has not yet analysed the likely impact of the improvements on its financial position or performance.

4 Net interest income

	2015 AMD’000	2014 AMD’000
Interest income		
Receivables from finance leases	1,036,222	982,751
Placements with banks	133,826	138,326
Other interest income	25,757	22,989
	1,195,805	**1,144,066**
Interest expense		
Other borrowed funds	(488,756)	(422,640)
Loan from banks	(88,398)	(204,196)
	(577,154)	**(626,836)**
Net interest income	**618,651**	**517,230**

5 Other operating income

	2015 AMD’000	2014 AMD’000
Fines and penalties accrued	61,516	37,982
Reimbursement of lease transaction expenses	48,408	28,460
Other income	46,182	30,317
	156,106	**96,759**

6 Other operating expense

	2015 AMD’000	2014 AMD’000
Loss on disposal of leased property	146,481	68,658
Taxes other than on income	96,713	48,219
Fines and penalties	51,604	570
Other	21,738	28,140
	316,536	**145,587**

7 Impairment losses

	2015 AMD’000	2014 AMD’000
Receivables from finance leases (note 11)	173,570	20,421
Other assets (note 13)	31,209	31,551
	204,779	**51,972**

8 Other general administrative expenses

	2015 AMD’000	2014 AMD’000
Depreciation and amortization	30,075	29,445
Advertising and marketing expenses	29,833	20,367
Repairs and maintenance	12,718	9,270
Financial system mediator payments	10,364	8,624
Professional services	5,000	5,000
Travel expenses	6,077	3,880
Other	6,868	12,736
	100,935	**89,322**

9 Income tax expense

	2015 AMD’000	2014 AMD’000
Current year tax expense	(28,627)	(68,382)
Movement in deferred tax assets and liabilities due to origination and reversal of temporary differences	(44,194)	(2,239)
Total income tax expense	**(72,821)**	**(70,621)**

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

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

	2015 AMD’000	%	2014 AMD’000	%
Profit before tax	73,322		208,802	
Income tax at the applicable tax rate	(14,665)	(20%)	(41,760)	(20%)
Non-deductible costs	(58,156)	(79%)	(28,861)	(14%)
	(72,821)	**(99%)**	**(70,621)**	**(34%)**

(a) Deferred tax assets and liabilities

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

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**	**Balance** **31 December 2015**
Placements with banks	(8,969)	14,024	5,055
Receivables from finance leases	4,620	(49,963)	(45,343)
Other borrowed funds	3,563	(8,839)	(5,276)
Other liabilities	1,108	584	1,692
	322	**(44,194)**	**(43,872)**

2014 **AMD’000**	**Balance** **1 January 2014**	**Recognized** **in profit or loss**	**Balance** **31 December 2014**
Placements with banks	(6,642)	(2,327)	(8,969)
Receivables from finance leases	7,251	(2,631)	4,620
Other assets	(442)	442	-
Other borrowed funds	452	3,111	3,563
Other liabilities	1,942	(834)	1,108
	2,561	**(2,239)**	**322**

10 Placements with banks

	2015 **AMD’000**	**2014** **AMD’000**
Placements with banks		
Term deposits with banks		
- largest 5 Armenian banks	1,898,026	4,349,591
Total placements with banks	**1,898,026**	**4,349,591**

No placements with banks are impaired or past due.

As at 31 December 2015 the Organization has one counterparty (2014: one counterparty) whose balances exceed 10% of equity. These balances as at 31 December 2015 are AMD 1,898,026 thousand (2014: AMD 4,349,591 thousand).

11 Receivables from finance leases

	2015 AMD’000	2014 AMD’000
Within one year	4,252,323	3,858,364
More than one year, but less than five years	7,570,069	7,271,803
More than five years	96,688	75,881
Minimum lease payments	**11,919,080**	**11,206,048**
Within one year	(206,095)	(810,822)
More than one year, but less than five years	(1,550,694)	(1,067,315)
More than five years	(39,994)	(2,553)
Less: unearned finance income	**(1,796,783)**	**(1,880,690)**
The net investment in finance leases	**10,122,297**	**9,325,358**
Less impairment allowance	(258,851)	(170,573)
Net investment in finance lease	**9,863,446**	**9,154,785**

	2015 AMD’000	2014 AMD’000
Finance leases to corporate customers	9,607,324	9,122,113
Finance leases to retail customers	514,973	203,245
Gross finance leases	**10,122,297**	**9,325,358**
Impairment allowance	(258,851)	(170,573)
Net loans to customers	**9,863,446**	**9,154,785**

Movements in the finance lease impairment allowance by classes of finance lease receivables for the year ended 31 December 2015 are as follows:

	Leases to corporate customers AMD’000	Leases to individual customers AMD’000	Total AMD’000
Balance at the beginning of the year	168,282	2,291	170,573
Net charge	167,247	6,323	173,570
Net write-offs	(81,828)	(3,464)	(85,292)
Balance at the end of the year	**253,701**	**5,150**	**258,851**

Movements in the finance lease impairment allowance by classes of finance lease receivables for the year ended 31 December 2014 are as follows:

	Leases to corporate customers AMD’000	Leases to individual customers AMD’000	Total AMD’000
Balance at the beginning of the year	127,290	211	127,501
Net charge	18,341	2,080	20,421
Net recoveries	22,651	-	22,651
Balance at the end of the year	**168,282**	**2,291**	**170,573**

(a) Credit quality of finance lease portfolio

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

	Gross finance leases AMD’000	Impairment allowance AMD’000	Net finance leases AMD’000	Impairment allowance to gross finance leases, %
Finance leases to corporate customers				
Finance leases without individual signs of impairment	9,115,583	90,173	9,025,410	1.0%
Overdue or impaired finance leases:				
- overdue less than 30 days	49,153	492	48,661	1.0%
- overdue 30-89 days	3,046	30	3,016	1.0%
- overdue 90-179 days	70,116	13,561	56,555	19.3%
- overdue 180-270 days	27,389	14,163	13,226	51.7%
- overdue more than 270 days	342,037	135,282	206,755	39.6%
Total overdue or impaired finance leases	**491,741**	**163,528**	**328,213**	**33.3%**
Total finance leases to corporate customers	**9,607,324**	**253,701**	**9,353,623**	**2.6%**
Finance leases to individual customers				
- not overdue	509,211	5,092	504,119	1.0%
- overdue 90-179 days	5,762	58	5,704	1.0%
Total finance leases to individual customers	**514,973**	**5,150**	**509,823**	**1.0%**
Total finance leases	**10,122,297**	**258,851**	**9,863,446**	**2.6%**

The following table provides information on the credit quality of the receivables from finance leases as at 31 December 2014:

	Gross finance leases AMD’000	Impairment allowance AMD’000	Net finance leases AMD’000	Impairment allowance to gross finance leases, %
Finance leases to corporate customers				
Finance leases without individual signs of impairment	8,680,381	97,883	8,582,498	1.1%
Overdue or impaired finance leases:				
- impaired not overdue	76,918	17,338	59,580	22.5%
- overdue less than 30 days	20,995	5,795	15,200	27.6%
- overdue 30-89 days	330,103	47,111	282,992	14.3%
- overdue 90-179 days	13,716	155	13,561	1.1%
Total overdue or impaired finance leases	**441,732**	**70,399**	**371,333**	**15.9%**
Total finance leases to corporate customers	**9,122,113**	**168,282**	**8,953,831**	**1.8%**
Finance leases to individual customers				
- not overdue	203,245	2,291	200,954	1.1%
Total finance leases to individual customers	**203,245**	**2,291**	200,954	**1.1%**
Total finance leases	**9,325,358**	**170,573**	**9,154,785**	**1.8%**

(b) Key assumptions and judgements for estimating impairment allowance for finance lease receivables

(i) Finance leases to corporate customers

The Organization estimates impairment for finance leases based on an analysis of the future cash flows for impaired lease receivables and based on historical loss analysis and current economic conditions for portfolios of finance leases for which no indications of impairment has been identified.

In determining the impairment allowance for finance leases to corporate customers management makes the following key assumptions:

- Historical annual loss rate of 1% (2014: 1.1%);
- A discount from 30% to 50% to the originally appraised value if the leased property is sold;
- A delay of 12 to 24 months in obtaining proceeds from the foreclosure of leased property.

Changes in these estimates could affect the finance lease 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 finance lease receivables to corporate customers at 31 December 2015 would be AMD 93,536 thousand lower/higher (2014: AMD 89,538 thousand lower/higher).

(ii) Finance leases to individual customers

The Organization estimates impairment for finance leases based on historical loss analysis. In determining the impairment allowance for finance leases to individual customers management makes the key assumptions of historical annual loss rate of 1% (2014: 1.1%).

Changes in these estimates could affect the finance lease 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 finance lease receivables to individual customers at 31 December 2015 would be AMD 5,098 thousand lower/higher (2014: AMD 2,010 thousand lower/higher).

(c) Analysis of collateral and other credit enhancement

(i) Finance leases to corporate customers

Finance leases 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 finance lease extended to it. However, collateral or other credit enhancement – legal ownership of leased properties by the Organization provides additional security.

The following tables provide information on leased property and collaterals finance leases to corporate customers, net of impairment, by types:

	31 December 2015		**31 December 2014**	
AMD'000	**Receivables from finance lease, carrying amount**	**Fair value of leased property or collateral assessed as of lease inception date**	**Receivables from finance lease, carrying amount**	**Fair value of leased property or collateral assessed as of lease inception date**
Finance leases without individual signs of impairment				
Equipment	4,984,974	4,984,974	4,846,646	4,846,646
Motor vehicle	3,778,604	3,778,604	3,577,012	3,577,012
Real estate	165,867	165,867	-	-
No collateral	95,965	-	158,840	-
Total finance leases without individual signs of impairment	**9,025,410**	**8,929,445**	**8,582,498**	**8,423,658**
Overdue or impaired loans				
Equipment	249,850	249,850	325,934	325,934
Motor vehicle	62,281	62,281	45,001	45,001
No collateral	16,082	-	398	-
Total overdue or impaired loans	**328,213**	**312,131**	**371,333**	**370,935**
Total finance leases to corporate customers	**9,353,623**	**9,241,576**	**8,953,831**	**8,794,593**

The tables above exclude overcollateralization.

For finance leases secured by multiple types of leased property or collateral, the property that is most relevant for impairment assessment is disclosed.

The recoverability of finance leases which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of leased property or collateral, and the Organization does not necessarily update the valuation of leased property or collateral as at each reporting date.

(ii) Finance leases to retail customers

Finance leases to retail customers are mainly secured by vehicles.

The fair values of the leased property was estimated at inception of the finance leases and was not adjusted for subsequent changes to the reporting date.

(d) Assets under lien

As at 31 December 2015, finance lease receivables with a gross value of AMD 540,035 thousand (2014: nil) serve as collateral for other borrowed funds (see note 15).

(e) Industry and geographical analysis of the finance lease portfolio

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

	2015 AMD’000	2014 AMD’000
Services	1,892,682	1,357,990
Trade	1,326,667	1,152,552
Transportation	1,308,934	1,353,160
Construction	1,202,241	1,275,109
Food and beverages production	1,125,693	857,498
Manufacturing	990,248	984,766
Hydropower plants	734,391	883,063
Agriculture	426,452	422,759
Financial institutions	256,230	439,462
Mining	206,463	286,562
Other	137,323	109,192
Finance leases to retail customers	514,973	203,245
	10,122,297	**9,325,358**
Impairment allowance	(258,851)	(170,573)
	9,863,446	**9,154,785**

(f) Significant credit exposures

As at 31 December 2015 the Organization has four borrowers (2014: four) whose finance lease balances exceed 10% of equity. The gross value of these balances as at 31 December 2015 is AMD 1,471,949 thousand (2014: AMD 1,741,426 thousand).

(g) Maturities of finance leases

The maturity of the finance leases portfolio is presented in note 18 (d), which shows the remaining period from the reporting date to the contractual maturity of the finance leases.

12 Property, equipment and intangible assets

AMD’000	Buildings	Computer equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost						
Balance at 1 January 2015	401,949	18,445	46,055	8,390	5,758	480,597
Additions	-	2,094	527	-	-	2,621
Disposals/write-offs	-	(251)	(1,870)	-	-	(2,121)
Balance at 31 December 2015	**401,949**	**20,288**	**44,712**	**8,390**	**5,758**	**481,097**
Depreciation and amortization						
Balance at 1 January 2015	50,491	16,674	24,583	8,390	288	100,426
Depreciation and amortization for the year	20,097	1,338	8,640	-	-	30,075
Disposals/write-offs	-	(251)	(1,870)	-	-	(2,121)
Balance at 31 December 2015	**70,588**	**17,761**	**31,353**	**8,390**	**288**	**128,380**
Carrying amount						
At 31 December 2015	**331,361**	**2,527**	**13,359**	**-**	**5,470**	**352,717**

AMD’000	Buildings	Computer equipment	Fixtures and fittings	Motor vehicles	Intangible assets	Total
Cost						
Balance at 1 January 2014	401,949	21,501	46,225	8,390	5,758	483,823
Additions	-	1,686	276	-	-	1,962
Disposals/write-offs	-	(4,742)	(446)	-	-	(5,188)
Balance at 31 December 2014	**401,949**	**18,445**	**46,055**	**8,390**	**5,758**	**480,597**
Depreciation and amortization						
Balance at 1 January 2014	30,394	20,616	16,481	8,390	288	76,169
Depreciation and amortization for the year	20,097	800	8,548	-	-	29,445
Disposals/write-offs	-	(4,742)	(446)	-	-	(5,188)
Balance at 31 December 2014	**50,491**	**16,674**	**24,583**	**8,390**	**288**	**100,426**
Carrying amount						
At 31 December 2014	**351,458**	**1,771**	**21,472**	**-**	**5,470**	**380,171**

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

13 Other assets

	2015 AMD’000	2014 AMD’000
Advances paid to leased property suppliers	313,246	412,241
Trade receivables	24,566	106,612
Impairment allowance	-	(33,767)
Total other financial assets	**337,812**	**485,086**
Returned leased property	112,217	304,534
Prepaid taxes	11,943	5,742
Other assets	2,347	10,944
	464,319	**806,306**

(a) Analysis of movements in the impairment allowance

Movements in the impairment allowance for the year ended 31 December 2015 and 2014 are as follows:

	2015 AMD’000	2014 AMD’000
Balance at the beginning of the year	**33,767**	**-**
Net charge	31,209	31,551
Write-offs	(64,976)	2,216
Balance at the end of the year	**-**	**33,767**

14 Loans from banks

	2015 AMD’000	2014 AMD’000
Loans from banks	**985,849**	**3,354,576**

As at 31 December 2015 the Organization has one bank (2014: one bank), whose balances exceed 10% of equity. The gross value of the balances as at 31 December 2015 is AMD 985,849 thousand (2014: AMD 3,354,576 thousand).

15 Other borrowed funds

	2015 AMD’000	2014 AMD’000
Unsecured borrowings from international financial institutions	7,908,322	8,017,700
Secured borrowings from CBA	325,639	-
	8,233,961	**8,017,700**

As at 31 December 2015, receivables from finance lease with a gross value of AMD 540,035 thousand (2014: nil) serve as collateral for secured borrowings from CBA (see note 11).

As at 31 December 2015 the Organization has five counterparties (2014: six counterparties) whose balances exceed 10% of equity. These balances as at 31 December 2015 are AMD 7,665,210 thousand (2014: AMD 7,773,454 thousand).

Breach of covenants

The Organization breached one of its maximum covenant thresholds under agreement with one of the lenders. The carrying amount of the borrowing is AMD 3,890,399 thousand. In addition, the breach of covenant triggered cross-default under agreements with other lenders. Accordingly, borrowings from international financial institutions of AMD 7,908,322 thousand are classified as being due on demand and less than one month in the interest rate gap, liquidity and maturity analysis in note 18.

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

16 Other liabilities

	2015 AMD’000	**2014 AMD’000**
Prepayments from lessees	127,126	201,744
Accounts payable	70,953	13,685
Total other financial assets	**198,079**	**215,429**
Taxes payable other than on income	23,599	55,934
Payable to staff	3,463	3,607
	225,141	**274,970**

17 Share capital

(a) Issued capital

The authorized, issued and outstanding share capital comprises 200 ordinary shares (2014: 200). All shares have a nominal value of AMD 5,876,076.

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

(b) Dividends

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

During 2015 no dividends were declared and paid by the Organisation (2014: no dividends).

18 Risk management

(a) Risk management policies and procedures

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

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

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

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

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through the Board of Directors.

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

(b) Market risk

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

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

(i) Interest rate risk

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

Interest rate gap analysis

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

AMD’000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Non-interest bearing	Carrying amount
31 December 2015							
ASSETS							
Cash and cash equivalents	-	-	-	-	-	59,187	59,187
Placements with banks	1,695,261	202,765	-	-	-	-	1,898,026
Receivables from finance leases	882,849	856,263	1,658,838	6,384,208	81,288	-	9,863,446
	2,578,110	**1,059,028**	**1,658,838**	**6,384,208**	**81,288**	**59,187**	**11,820,659**
LIABILITIES							
Loans from banks	18,349	-	-	967,500	-	-	985,849
Other borrowed funds	7,912,495	832	2,865	317,769	-	-	8,233,961
	7,930,844	**832**	**2,865**	**1,285,269**	**-**	**-**	**9,219,810**
	(5,352,734)	**1,058,196**	**1,655,973**	**5,098,939**	**81,288**	**59,187**	**2,600,849**

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	-	-	-	-	-	135,002	135,002
Placements with banks	2,672,275	1,677,316	-	-	-	-	4,349,591
Receivables from finance leases	875,361	705,479	1,410,958	6,090,999	71,988	-	9,154,785
	3,547,636	**2,382,795**	**1,410,958**	**6,090,999**	**71,988**	**135,002**	**13,639,378**
LIABILITIES							
Loans from banks	-	2,405,384	-	949,192	-	-	3,354,576
Other borrowed funds	2,014,079	2,021,045	196,325	3,786,251	-	-	8,017,700
	2,014,079	**4,426,429**	**196,325**	**4,735,443**	**-**	**-**	**11,372,276**
	1,533,557	**(2,043,634)**	**1,214,633**	**1,355,556**	**71,988**	**135,002**	**2,267,102**

Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2015 and 2014. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2015 Average effective interest rate, %			**2014 Average effective interest rate, %**		
	AMD	**USD**	**EUR**	**AMD**	**USD**	**EUR**
Interest bearing assets						
Placements with banks	15.0%	3.3%	2.5%	8.2%	4.5%	3.0%
Receivables from finance leases	15.3%	10.0%	9.1%	15.1%	10.6%	10.0%
Interest bearing liabilities						
Loans from banks	-	6.0%	-	-	6.9%	-
Other borrowed funds	7.9%	5.5%	4.9%	-	5.5%	5.2%

Interest rate sensitivity analysis

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

	2015 AMD'000	**2014 AMD'000**
100 bp parallel fall	47,053	9,370
100 bp parallel rise	(47,053)	(9,370)

(ii) Currency risk

The Organization has assets and liabilities denominated in USD and EUR.

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 and 2014:

	2015		**2014**	
	USD	**EUR**	**USD**	**EUR**
USD	**AMD'000**	**AMD'000**	**AMD'000**	**AMD'000**
ASSETS				
Cash and cash equivalents	2,576	22,661	85,516	1,813
Placements with banks	1,408,416	185,449	3,389,473	406,152
Receivables from finance leases	6,282,987	1,100,883	6,568,007	646,647
Other assets	36,636	17,418	326,571	15,150
Total assets	**7,730,615**	**1,326,411**	**10,369,567**	**1,069,762**
LIABILITIES				
Loans from banks	985,849	-	3,354,576	-
Other borrowed funds	6,719,253	1,189,069	6,942,628	1,075,072
Other liabilities	70,355	35,585	159,626	7,177
Total liabilities	**7,775,457**	**1,224,654**	**10,456,830**	**1,082,249**
Net position	**(44,842)**	**101,757**	**(87,263)**	**(12,487)**

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

	2015 AMD'000	**2014 AMD'000**
10% appreciation of USD against AMD	(4,484)	(8,726)
10% appreciation of EUR against AMD	10,176	(1,249)

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

(c) Credit risk

Credit risk is the risk of financial loss to the Organization if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Organization has policies and procedures for the management of credit. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for reviewing and approving credit applications for finance lease
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of receivables from finance leases and other credit exposures.

Credit applications are originated by the relevant credit officers and are then passed on to the internal legal counsel. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance.

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

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

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

	2015 AMD'000	**2014 AMD'000**
ASSETS		
Cash and cash equivalents	59,187	135,002
Placements with banks	1,898,026	4,349,591
Receivables from finance leases	9,863,446	9,154,785
Other financial assets	337,812	485,086
Total maximum exposure	**12,158,471**	**14,124,464**

For the analysis of collateral held against receivables from finance lease receivables and concentration of credit risk in respect of receivables from finance leases refer to note 11.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in note 20.

As at 31 December 2015 the Organization has one debtor (2014: one), credit risk exposure to whom exceeds 10% of maximum credit risk exposure. The gross value of these balances as at 31 December 2015 is AMD 1,898,026 thousand (2014: AMD 4,349,591 thousand).

Offsetting financial assets and financial liabilities

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

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

The similar agreements include derivative clearing agreements, global master repurchase agreements, and global master securities lending agreements. Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

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

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

AMD'000

Types of financial assets/liabilities	Gross amounts of recognized financial asset/liability	Gross amount of recognized financial liability/asset offset in the statement of financial position	Net amount of financial assets/liabilities presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
Other borrowed funds	(325,639)	-	(325,639)	325,639	-	-
Total financial liabilities	**(325,639)**	**-**	**(325,639)**	**325,639**	**-**	**-**

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

(d) Liquidity risk

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

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

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

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

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

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities							
Loans from banks	-	28,945	-	29,264	1,083,600	1,141,809	985,849
Other borrowed funds	7,933,701	-	11,841	15,626	415,051	8,376,219	8,233,961
Other financial liabilities	-	198,079	-	-	-	198,079	198,079
Total financial liabilities	**7,933,701**	**227,024**	**11,841**	**44,890**	**1,498,651**	**9,716,107**	**9,417,889**
Lease-related commitments	**345,813**	**-**	**-**	**-**	**-**	**345,813**	**345,813**

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

AMD'000	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities						
Loans from banks	-	2,488,965	32,740	982,326	3,504,031	3,354,576
Other borrowed funds	477,005	347,885	799,842	7,498,251	9,122,983	8,017,700
Other financial liabilities	215,429	-	-	-	215,429	215,429
Total financial liabilities	**692,434**	**2,836,850**	**832,582**	**8,480,577**	**12,842,443**	**11,587,705**
Lease-related commitments	**487,656**	**-**	**-**	**-**	**487,656**	**487,656**

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

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
ASSETS								
Cash and cash equivalents	59,187	-	-	-	-	-	-	59,187
Placements with banks	735,994	959,267	202,765	-	-	-	-	1,898,026
Receivables from finance leases	291,579	591,270	2,515,101	6,069,845	81,288	-	314,363	9,863,446
Property, equipment and intangible assets	-	-	-	-	-	352,717	-	352,717
Current tax assets	-	-	-	-	-	21,462	-	21,462
Other assets	24,566	313,246	-	-	-	126,507	-	464,319
Total assets	**1,111,326**	**1,863,783**	**2,717,866**	**6,069,845**	**81,288**	**500,686**	**314,363**	**12,659,157**
LIABILITIES								
Loans from banks	-	18,349	-	967,500	-	-	-	985,849
Other borrowed funds	7,912,495	-	3,697	317,769	-	-	-	8,233,961
Deferred tax liabilities	-	-	-	-	-	43,872	-	43,872
Other liabilities	-	198,079	-	-	-	27,062	-	225,141
Total liabilities	**7,912,495**	**216,428**	**3,697**	**1,285,269**	**-**	**70,934**	**-**	**9,488,823**
Net position	**(6,801,169)**	**1,647,355**	**2,714,169**	**4,784,576**	**81,288**	**429,752**	**314,363**	**3,170,334**

Included in table above are other borrowed funds of AMD 7,908,322 classified as being due on demand and less than on month resulted from breach of covenants (note 15). The classification of these balances in accordance with their expected maturity dates is presented below:

	2015 AMD'000
From 1 to 3 months	240,124
From 3 to 12 months	1,070,667
From 1 to 5 years	6,597,531
	7,908,322

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

AMD'000	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**No maturity**	**Overdue**	**Total**
ASSETS								
Cash and cash equivalents	135,002	-	-	-	-	-	-	135,002
Placements with banks	874,467	1,797,808	1,677,316	-	-	-	-	4,349,591
Finance lease receivables	375,532	499,829	2,116,437	6,090,999	32,988	-	39,000	9,154,785
Property, equipment and intangible assets	-	-	-	-	-	380,171	-	380,171
Deferred tax assets	-	-	-	-	-	322	-	322
Other assets	238,461	135,662	97,545	13,418	-	321,220	-	806,306
Total assets	**1,623,462**	**2,433,299**	**3,891,298**	**6,104,417**	**32,988**	**701,713**	**39,000**	**14,826,177**
LIABILITIES								
Loans from banks	-	-	2,405,384	949,192	-	-	-	3,354,576
Other borrowed funds	-	454,437	785,736	6,777,527	-	-	-	8,017,700
Current tax liability	-	-	-	-	-	9,098	-	9,098
Other liabilities	207,978	7,451	-	-	-	59,541	-	274,970
Total liabilities	**207,978**	**461,888**	**3,191,120**	**7,726,719**	**-**	**68,639**	**-**	**11,656,344**
Net position	**1,415,484**	**1,971,411**	**700,178**	**(1,622,302)**	**32,988**	**633,074**	**39,000**	**3,169,833**

19 Capital management

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

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

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

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

	2015 AMD’000 Unaudited	2014 AMD’000 Unaudited
Share capital	1,175,215	1,175,215
Retained earnings	1,995,119	1,994,618
Adjustment to CBA accounting principles	(221,430)	(242,162)
Total capital	**2,948,904**	**2,927,671**
Risk weighted assets	**15,366,059**	**16,420,514**
Statutory capital ratio	**19.2%**	**17.8%**

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.

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

20 Credit related commitments

At any time the Organization has outstanding commitments to transfer leased property to lessees. These commitments take the form of approved lease contracts.

The contractual amounts of commitments are set out in the following table. The amounts reflected in the table for commitments assume that amounts are fully advanced.

	2015 AMD’000	2014 AMD’000
Finance lease to be provided - contracted amount	**345,813**	**487,656**

21 Contingencies

(a) Insurance

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

(b) Litigation

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

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

(c) Taxation contingencies

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

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

22 Related party transactions

(a) Control relationships

The Organization's immediate and ultimate parent company is "ACBA-CREDIT AGRICOLE BANK" cjsc.

(b) Transactions with the parent company

	2015 AMD'000	Average effective interest rate, %	2014 AMD'000	Average effective interest rate, %
Statement of financial position				
ASSETS				
Cash and cash equivalents	59,187	-	135,002	-
Placement with banks	1,898,026	5.1%	4,349,591	4.8%
Receivables from finance leases	256,230	10.0%	439,462	10.0%
Loans from banks	985,849	6.0%	3,354,576	6.9%
Statement of profit or loss and other comprehensive income				
Interest income	133,827		234,501	
Interest expense	88,398		204,195	

(c) Transactions with the Management

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

	2015 AMD'000	2014 AMD'000
Short term employee benefits	**58,865**	**50,312**

23 Fair values of financial instruments

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

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

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

- discount rates of 9% - 15% are used for discounting future cash flows from finance lease receivables. In estimating the discount rates for finance lease receivables the Organization considers that the market for its finance lease receivables is a separate market from the other commercial lending business in Armenia due to different terms, purpose and credit risk exposures of these loans.
- discount rates of 3% - 15% are used for discounting future cash flows from placements with banks.
- discount rates of 6% - 8% are used for discounting future cash flows from other borrowed funds.