Varks AM
Universal Credit Organization CJSC

Financial Statements
for the year ended 31 December 2018

Contents

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Independent Auditors' Report

To the Board of Directors of Varks AM Universal Credit Organization CJSC

Opinion

We have audited the financial statements of Varks AM Universal Credit Organization CJSC (the "Organization"), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organization to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is:

Tigran Gasparyan
Managing Partner, Director of KPMG Armenia LLC

KPMG Armenia LLC
26 April 2019

	Notes	2018 AMD'000	2017* AMD'000
Interest income calculated using the effective interest method	6	12,598,811	1,600,459
Interest expense	6	(1,656,479)	(425,437)
Net interest income		**10,942,332**	**1,175,022**
Fee and commission expense		(19,951)	(6,684)
Net fee and commission expense		**(19,951)**	**(6,684)**
Net foreign exchange gain/(loss)	7	280,378	(123,492)
Other operating income/(expenses)	8	2,236,426	(53,591)
Operating income		**13,439,185**	**991,255**
Impairment losses	12,13	(7,123,184)	(798,982)
Personnel expenses		(724,885)	(283,235)
Other general administrative expenses	9	(1,200,552)	(449,927)
Profit (loss) before income tax		**4,390,564**	**(540,889)**
Income tax (expense)/benefit	10	(819,748)	65,650
Profit (loss) and other comprehensive income for the year		**3,570,816**	**(475,239)**

* The Organization has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As a result of adoption of IFRS 9 the Organization changed presentation of certain captions, comparative information is re-presented accordingly (see Note 3(o)).

The financial statements as set out on pages 5 to 54 were approved by management on 25 April 2019 and were signed on its behalf by:

Vardan Hovsepyan
Executive Director

Kristine Selimyan
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	2018 AMD'000	2017* AMD'000
ASSETS			
Cash and cash equivalents	11	186,493	688,788
Loans to customers	12	8,723,467	3,602,211
Borrowings given to related parties	13	4,285,268	-
Property, equipment and intangible assets	14	627,986	356,342
Deferred tax assets	10(a)	154,513	77,230
Other assets		73,901	47,161
Total assets		**14,051,628**	**4,771,732**
LIABILITIES			
Loans and borrowings	15	10,821,256	4,652,246
Current tax liability		713,513	-
Other liabilities	16	582,521	180,964
Total liabilities		**12,117,290**	**4,833,210**
EQUITY			
Share capital	17	600,000	455,000
Retained earnings/(accumulated losses)		1,334,338	(516,478)
Total equity		**1,934,338**	**(61,478)**
Total liabilities and equity		**14,051,628**	**4,771,732**

* The Organization has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As a result of adoption of IFRS 9 the Organization changed presentation of certain captions, comparative information is re-presented accordingly (see Note 3(o)).

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

	Notes	2018 AMD'000	2017* AMD'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		11,709,625	1,437,173
Interest payments		(1,444,347)	(106,386)
Fee and commission payments		(7,404)	(3,270)
Net receipts/(payments) from foreign exchange		970	(21,026)
Other income receipts		1,222,872	116,953
Personnel and other administrative expenses payments		(1,621,406)	(630,514)
(Increase)/decrease in operating assets			
Loans to customers		(10,098,311)	(4,406,605)
Borrowings given to related parties		(5,207,378)	-
Other assets		(7,166)	(27,371)
Increase/(decrease) in operating liabilities			
Other liabilities		18,285	26,794
Net cash used in operating activities before income tax paid		**(5,434,260)**	**(3,614,252)**
Income tax paid		(183,517)	-
Net cash used in operating activities		**(5,617,777)**	**(3,614,252)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment and intangible assets		(400,947)	(359,506)
Cash flows used in investing activities		**(400,947)**	**(359,506)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts of loans and borrowings		11,779,111	4,856,428
Repayment of loans and borrowings		(6,382,149)	(618,162)
Proceeds from issuance of share capital		145,000	255,000
Dividends paid **		-	-
Cash flows from financing activities		**5,541,962**	**4,493,266**
Net (decrease)/increase in cash and cash equivalents		**(476,762)**	**519,508**
Effect of changes in exchange rates on cash and cash equivalents		(25,533)	(9,281)
Cash and cash equivalents as at the beginning of the year		688,788	178,561
Cash and cash equivalents as at the end of the year	11	**186,493**	**688,788**

* The Organization has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As a result of adoption of IFRS 9 the Organization changed presentation of certain captions, comparative information is re-presented accordingly (see Note 3(o)).

** No dividend is paid in cash. Instead, the amount was fully offset with borrowing to related parties balance.

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/ (accumulated losses)	Total equity
Balance as at 1 January 2017 (unaudited)	**200,000**	**(41,239)**	**158,761**
Total comprehensive loss			
Loss for the year	-	(475,239)	(475,239)
Total comprehensive loss for the year	**-**	**(475,239)**	**(475,239)**
Transactions with owners, recorded directly in equity			
Shares issued	255,000	-	255,000
Total transactions with owners	**255,000**	**-**	**255,000**
Balance as at 31 December 2017	**455,000**	**(516,478)**	**(61,478)**
Balance as at 1 January 2018*	455,000	(516,478)	(61,478)
Total comprehensive income			
Profit for the year	-	3,570,816	3,570,816
Total comprehensive income for the year	**-**	**3,570,816**	**3,570,816**
Transactions with owners, recorded directly in equity			
Shares issued	145,000	-	145,000
Dividends declared (Note 17(b))	-	(1,720,000)	(1,720,000)
Total transactions with owners	**145,000**	**(1,720,000)**	**(1,575,000)**
Balance as at 31 December 2018	**600,000**	**1,334,338**	**1,934,338**

* The Organization has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated (see Note 5). As a result of adoption of IFRS 9 the Organization changed presentation of certain captions, comparative information is re-presented accordingly (see Note 3(o)). The initial application of IFRS 9 did not result in any adjustment to the Organization's opening equity balance.

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

Varks AM Universal Credit Organization CJSC (the Organization) was established in the Republic of Armenia as a closed joint stock Organization in 2016. Its principal activity is provision of short-term express loans in small amounts and with an initial maturity of up to 30 days. The activities of the Organization are regulated by the Central Bank of Armenia (the CBA). The Organization has received a credit organization license on 8 November 2016.

The Organization's registered office is 12 Saryan Street, Yerevan 0002, Republic of Armenia.

The Organization conducts its operation through 33 branches and 4 stands in the Republic of Armenia. The majority of the assets and liabilities are located in the Republic of Armenia.

The Organization is wholly-owned by Finco Invest SIA.

Related party transactions are described in detail in Note 24.

(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 characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which 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).

This is the first set of the Organization's annual financial statements to which IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* have been applied. Changes to significant accounting policies are described in Note 2(e).

(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.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Applicable to 2018 only
  - establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 4.
  - classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3(e)(i).

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment is included in the following notes:

- Applicable to 2018 only
  - impairment of financial instruments: determining inputs into the ECL measurement model – Note 4.

(e) Changes in accounting policies and presentation

The Organization has adopted IFRS 9 and IFRS 15 from 1 January 2018.

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Organization's financial statements.

Due to the transition methods chosen by the Organization in applying IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect its requirements.

The adoption of IFRS 15 did not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Organization.

The effect of initially applying these standards is mainly attributed to the following:

- additional disclosures related to IFRS 9 (see Note 4).

A. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The requirements of IFRS 9 represent a significant change from IAS 39. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the Organization has applied consequential amendments to IAS 1 '*Presentation of Financial Statements*', which require separate presentation in the statement of profit or loss and other comprehensive income of interest revenue calculated using the effective interest method.

Additionally, the Organization has adopted consequential amendments to IFRS 7 '*Financial Instruments: Disclosures*' that are applied to disclosures about 2018 but have not been applied to the comparative information.

The key changes to the Organization's accounting policies resulting from its adoption of IFRS 9 are summarised below.

Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. For an explanation of how the Organization classifies financial assets under IFRS 9, see Note 3(e)(i).

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

For an explanation of how the Organization classifies financial liabilities under IFRS 9, see Note 3(e)(i).

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39. For an explanation of how the Organization applies the impairment requirements of IFRS 9, see Note 3(e)(iv).

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are considered immaterial and did not affect retained earnings and reserves as at 1 January 2018. However, the information presented as at and for the year ended 31 December 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented as at and for the year ended 31 December 2018 under IFRS 9.

  The Organization used the exemption not to restate comparative periods but considering that the amendments made by IFRS 9 to IAS 1 introduced the requirement to present 'interest income calculated using the effective interest rate' as a separate line item in the statement of profit or loss and other comprehensive income, the Organization has changed the description of the line item from 'interest income' reported in 2017 to 'interest income calculated using the effective interest method'.

- The following assessment has been made on the basis of the facts and circumstances that existed at the date of initial application.

  – The determination of the business model within which a financial asset is held.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 4.

B. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 '*Revenue*', IAS 11 '*Construction Contracts and Related Interpretations*'.

The Organization initially applied IFRS 15 on 1 January 2018 retrospectively in accordance with IAS 8 without any practical expedients. The timing or amount of the Organization's fee and commission income from contracts with customers was not impacted by the adoption of IFRS 15.

3 Significant accounting policies

Except for the changes disclosed in Note 2(e), the Organization has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

(a) Foreign currency transactions

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, unrestricted current account balances held 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) Interest

Policy applicable from 1 January 2018

Effective interest rate

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Organization estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' measured at amortised cost is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3(e)(iv).

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortised cost.

Interest expense presented in the statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost.

Policy applicable before 1 January 2018

Effective interest rate

Interest income and expense were recognised in profit or loss using the effective interest method. The effective interest rate was the rate that exactly discounted the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Organization estimated future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate included transaction costs and fees and points paid or received that were an integral part of the effective interest rate. Transaction costs included incremental costs that were directly attributable to the acquisition or issue of a financial asset or financial liability.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortised cost.

Interest expense presented in the statement of profit or loss and other comprehensive income includes financial liabilities measured at amortised cost.

Policy applicable before 1 January 2018

The policy applicable before 1 January 2018 was the same except that:

- 'effective interest rate' was the rate that exactly discounted the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Organization estimated future cash flows considering all contractual terms of the financial instrument, but not future credit losses;

- purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate were not defined.

(d) Fees and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 3(c)).

Other fee and commission income – including account servicing fees, investment management fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

A contract with a customer that results in a recognised financial instrument in the Organization's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Organization first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(e) Financial assets and financial liabilities

i. Classification

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognised in other comprehensive income, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

- interest income using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Organization may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Organization makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Organization's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Organization's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Organization considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Organization considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Organization's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Organization changes its business model for managing financial assets.

Financial assets – Policy applicable before 1 January 2018

The Organization classified its financial assets into one of the following categories:

- loans and receivables;
- held-to-maturity;
- available-for-sale.

See Note 3(f).

Financial liabilities

The Organization classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

ii. Derecognition

Financial assets

The Organization derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Organization neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Organization is recognised as a separate asset or liability.

The Organization enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Organization neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Organization 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 asset.

Financial liabilities

The Organization derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

iii. Modification of financial assets and financial liabilities

Policy applicable from 1 January 2018

Financial assets

If the terms of a financial asset are modified, the Organization evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees you represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Organization due to changes in the CBA key rate, if the loan agreement entitles the Organization to do so.

The Organization performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Organization assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Organization analogizes to the guidance on the derecognition of financial liabilities.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Organization plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Organization further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Organization first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower (see Note 3(e)(iv)), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method (see Note 3(c)).

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Organization treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Organization derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Organization performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Policy applicable before 1 January 2018

Financial assets

If the terms of a financial asset were modified, then the Organization evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognised (see Note 3(e)(ii)) and a new financial asset was recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre- modification interest rate (see Note 3(e)(iv)).

Financial liabilities

The Organization derecognised a financial liability when its terms were modified and the cash flows of the modified liability were substantially different. In this case, a new financial liability based on the modified terms was recognised at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognised in profit or loss. Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

iv. Impairment

See also Note 4.

Policy applicable from 1 January 2018

The Organization recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Organization measures loss allowances at an amount equal to lifetime ECL, except for the other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 4), for which they are measured as 12-month ECL.

The Organization does not apply the low credit risk exemption to any financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as ‘Stage 1’ financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as ‘Stage 2’ financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and ‘Stage 3’ financial instruments (if the financial instruments are credit-impaired).

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Organization expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Organization if the commitment is drawn down and the cash flows that the Organization expects to receive.

See also Note 4.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (see Note 3(e)(iii)) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Organization assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Organization on terms that the Organization would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 45 days or more is considered credit-impaired.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: generally, as a provision;
- *where a financial instrument includes both a drawn and an undrawn component, and the Organization cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Organization presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-offs

Loans are written off when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Organization determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Organization's procedures for recovery of amounts due.

Policy applicable before 1 January 2018

Objective evidence of impairment

At each reporting date, the Organization assessed whether there was objective evidence that financial assets were impaired. A financial asset or a group of financial assets was 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

In addition, a retail loan that was overdue for 45 days or more was considered impaired.

Objective evidence that financial assets were impaired included:

- significant financial difficulty of a borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Organization on terms that the Organization would not consider otherwise;
- indications that a borrower or issuer would enter bankruptcy; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlated with defaults in the group.

A loan that was renegotiated due to a deterioration in the borrower's condition was usually considered to be impaired unless there was evidence that the risk of not receiving contractual cash flows had reduced significantly and there were no other indicators of impairment.

Financial assets carried at amortized cost

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

The Organization first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are individually not 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 related 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.

(f) Loans to customers and borrowings given

Policy applicable from 1 January 2018

'Loans to customers' and 'Borrowings given to related parties' captions in the statement of financial position include loans to customers and borrowings given measured at amortised cost (see Note 3(e)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Policy applicable before 1 January

Loans to customers were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market and that the Organization did not intend to sell immediately or in the near term.

Loans to customers included those classified as loans and receivables. Loans to customers were initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

(g) Loan commitments

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured as follows:

- *from 1 January 2018:* at the higher of the loss allowance determined in accordance with IFRS 9 (see Note 3(e)(iv)) and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15; and
- *before 1 January 2018:* at the higher the amount representing the initial fair value amortised over the life of the commitment and the present value of any expected payment to settle the liability when a payment under the contract has become probable.

The Organization has issued no loan commitments that are measured at FVTPL.

For other loan commitments:

- *from 1 January 2018:* the Organization recognises a loss allowance (see Note 3(e)(iv));
- *before 1 January 2018:* the Organization recognised a provision in accordance with IAS 37 if the contract was considered to be onerous.

Liabilities arising from loan commitments are included within provisions. For loan commitments which are not enforceable, loss allowance is not calculated.

(h) 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 improvement	lower of lease term and 5 years
- computers and equipment	1 to 3 years
- fixtures and fittings	1 to 5 years
- motor vehicles	5 years
- computer software	5 years

(i) 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 5 to 20 years.

(j) 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.

(k) Share capital

(i) Ordinary shares

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

(ii) Dividends

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

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

(l) Taxation

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

(i) Current tax

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.

(ii) Deferred tax

Deferred tax is 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 is not recognized for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is 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.

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 offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

(m) Leases

(i) Operating – Organization 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.

(n) Income and expense recognition

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

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

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

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

(o) Comparative information

As a result of adoption of IFRS 9 the Organization changed presentation of certain captions in the primary forms of financial statements. Comparative information is reclassified to conform to changes in presentation in the current period.

The were no changes in presentation of the statement of financial position as at 31 December 2017.

The effect of main changes in presentation of the statement of profit or loss and other comprehensive income for the year ended 31 December 2017 is as follows:

- "Interest income" was presented within "Interest income calculated using the effective interest method" line item.

(p) New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 with earlier application permitted; however, the Organization has not early adopted them in preparing these financial statements.

Of those standards that are not yet effective, IFRS 16 is not expected to have a significant impact on the Organization's financial statements in the period of initial application.

(i) IFRS 16

The Organization is required to adopt IFRS 16 *Leases* from 1 January 2019. The Organization has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements, as described below.The actual impacts of adopting the standard on 1 January 2019 may change because:

– the Organization has not yet finalised the testing and assessment of controls over its new IT systems; and
– the new accounting policies are subject to change until the Organization presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including 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*.

i. Leases in which the Organization is a lessee

The Organization has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, the development of the Organization's lease portfolio, the Organization's assessment of whether it will exercise any lease renewal options and the extent to which the Organization chooses to use practical expedients and recognition exemptions.

The Organization will recognise new assets and liabilities for its operating leases of office buildings. The nature of expenses related to those leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Organization recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

As at 31 December 2018, the Organization's future minimum lease payments under non-cancellable operating leases amounted to AMD 212,931 thousand, on an undiscounted basis, which the Organization estimates it will recognise as additional lease liabilities.

ii. Leases in which the Organization is a lessor

No significant impact is expected for leases in which the Organization is a lessor.

iii. Transition

The Organization plans to apply IFRS 16 initially on 1 January 2019, using a modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Organization plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

(ii) Other standards

The following amended standards and interpretations are not expected to have a significant impact on the Organization's financial statements:

- IFRIC 23 *Uncertainty over Tax Treatments*;
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28);*
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19);*
- *Annual Improvements to IFRS Standards 2015-2017 Cycle – various standards;*
- *Amendments to References to Conceptual Framework in IFRS Standards.*

4 Financial risk review

This note presents information about the Organization's exposure to financial risks. For information on the Organization's financial risk management framework, see Note 18.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3(e)(iv).

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Organization considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Organization's historical experience.

For retail portfolio the Organization uses backstop of 1 day past due criterion for determining whether there has been a significant increase in credit risk.

For corporate loans the Organization considers qualitative and quantitative indicators.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures corporate customers. For corporate customers the Organization adjusts ratings of customers by the country' s rating grade where the borrower operates.

Overdue days are primary input into the determination of the term structure of PD for retail exposures in Markov's model of migration matrices. Migration matrices are constructed using historical data over the past 6 months.

Determining whether credit risk has increased significantly

The Organization assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant will differ for different types of lending, in particular between corporate and retail.

As a backstop, the Organization considers that a significant increase in credit risk occurs no later than when an asset is more than 1 day past due because the estimated PD increased significantly. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

Definition of default

The Organization considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Organization in full, without recourse by the Organization to actions such as realising security (if any is held);
- the borrower is past due more than 44 days on any material credit obligation to the Organization. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Organization considers indicators that are:

- qualitative,
- quantitative; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

Considering the short nature of loans to retail customers balances, no forward looking information is incorporated into ECL calculation by the Organization.

Modified financial assets

The contractual maturity of retail portfolio is only one month. The Organization does not provide modification option and never modifies the instrument, however the Customers have extension option by paying extension fee for 7 to 30 days.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 for retail portfolio is calculated by multiplying the PD by LGD and EAD (considering that loan duration is less than 12 months the life time PD is applied for all loans).

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Organization estimates LGD parameters based on the history of recovery rates of claims against defaulted loans. The LGD models are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. For corporate customers the LGD is estimated based on average historical recovery rates for unsecured loans, provided by international rating agencies.

EAD represents the expected exposure in the event of a default. The Organization derives the EAD from the current exposure to the customer and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For enforceable lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Organization measures ECL considering the risk of default over the expected contractual period including any borrower's extension options over which it is exposed to credit risk, even if, for credit risk management purposes, the Organization considers a longer period.

Loss allowance

The following tables show reconciliations from the opening to the closing balances of the loss allowance by class of financial instruments. Comparative amounts for 2017 represent allowance account for credit losses and reflect measurement basis under IAS 39.

	2018			**2017**	
AMD'000	**Stage 1**	**Stage 2**	**Total**	**Collective**	**Total**
Loans to customers at amortised cost					
Balance at 1 January	325,774	124,041	449,815	-	-
Transfer to Stage 1	(562,164)	562,164	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	43,225	37,267	80,492	-	-
New financial assets originated or purchased	1,003,723	5,836,112	6,839,835	798,982	798,982
Recoveries/(write-offs)	-	(6,135,780)	(6,135,780)	(349,167)	(349,167)
Balance at 31 December	**810,558**	**423,804**	**1,234,362**	**449,815**	**449,815**

	2018			**2017**	
AMD'000	**Stage 1**	**Stage 2**	**Total**	**Individual**	**Total**
Borrowings given to related parties					
Balance at 1 January	-	-	-	-	-
Transfer to Stage 1	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-	-
New financial assets originated or purchased	202,857	-	202,857	-	-
Recoveries/(write-offs)	-	-	-	-	-
Balance at 31 December	**202,857**	**-**	**202,857**	**-**	**-**

The following table provides a reconciliation between amounts shown in the above tables reconciling opening and closing balances of loss allowance per class of financial instrument.

AMD'000	Loans to customers at amortised cost – retail customers	Borrowings given to related parties	Total
Net remeasurement of loss allowance	80,492	-	80,492
New financial assets originated or purchased	6,839,835	202,857	7,042,692
Subtotal	**6,920,327**	**202,857**	**7,123,184**
Recoveries of amounts previously written off	-	-	-
Total	**6,920,327**	**202,857**	**7,123,184**

The significant changes in the gross carrying amount of the portfolio are further explained below.

	2018		
AMD'000	**Stage 1**	**Stage 2**	**Total**
Loans to customers at amortised cost – retail customers (portfolio) – gross carrying amount			
Balance at 1 January	3,872,907	179,119	4,052,026
Individual financial assets transferred to Stage 2	(6,836,539)	6,836,539	-
Individual financial assets transferred to Stage 3	-	-	-
Individual financial assets transferred from Stage 3	-	-	-
Financial assets assessed on a collective basis	-	-	-
New financial assets originated or purchased	11,947,654	-	11,947,654
Financial assets that have been derecognised	-	-	-
Write-offs	-	(6,135,134)	(6,135,134)
Changes due to modifications that did not result in derecognition	93,283	-	93,283
Other changes	-	-	-
Balance at 31 December	**9,077,305**	**880,524**	**9,957,829**

	2018		
AMD'000	**Stage 1**	**Stage 2**	**Total**
Borrowings given to related parties			
Balance at 1 January	-	-	-
Individual financial assets transferred to Stage 2	-	-	-
Individual financial assets transferred to Stage 3	-	-	-
Individual financial assets transferred from Stage 3	-	-	-
Financial assets assessed on a collective basis	-	-	-
New financial assets originated or purchased	4,488,125	-	4,488,125
Financial assets that have been derecognised	-	-	-
Write-offs	-	-	-
Changes due to modifications that did not result in derecognition	-	-	-
Other changes	-	-	-
Balance at 31 December	**4,488,125**	**-**	**4,488,125**

5 Transition to IFRS 9

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Organization's financial assets and financial liabilities as at 1 January 2018.

AMD'000	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial assets					
Cash and cash equivalents	11	Loans and receivables	Amortised cost	688,788	688,788
Loans to customers	12	Loans and receivables	Amortised cost	3,602,211	3,602,211
Other assets		Loans and receivables	Amortised cost	47,161	47,161
Total financial assets				**4,338,160**	**4,338,160**

The Company's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 3(e)(i). The application of these policies resulted in the reclassifications set out in the table above.

The following table reconciles the carrying amounts under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

AMD'000	IAS 39 carrying amount 31 December 2017	Reclassification	Remeasurement	IFRS 9 carrying amount 1 January 2018
Financial assets				
Amortised cost				
Cash and cash equivalents:				
Opening balance	688,788	-	-	-
Remeasurement	-	-	-	-
Closing balance	-	-	-	688,788
Loans to customers:				
Opening balance	3,602,211	-	-	-
Remeasurement	-	-	-	-
Closing balance	-	-	-	3,602,211
Other assets	47,161	-	-	47,161
Total amortised cost	**4,338,160**	**-**	**-**	**4,338,160**

As a result of adoption of IFRS 9 there were no reclassification or remeasurement of financial liabilities.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of retained earnings. There is no impact on other components of equity.

AMD'000	**Impact of adopting IFRS 9 at 1 January 2018**
Accumulated losses	
Closing balance under IAS 39 (31 December 2017)	(516,478)
Recognition of expected credit losses under IFRS 9 (including loan commitments)	-
Related tax	-
Opening balance under IFRS 9 (1 January 2018)	(516,478)

The following table reconciles:

- the closing impairment allowance for financial assets in accordance with IAS 39 in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as at 31 December 2017; to
- the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

For financial assets, this table is presented by the related financial assets' measurement categories in accordance with IAS 39 and IFRS 9, and shows separately the effect of the changes in the measurement category on the loss allowance at the date of initial application of IFRS 9, i.e. as at 1 January 2018.

	Impairment allowance and provisions			
AMD'000	**31 December 2017 (IAS 39)**	**Reclassification**	**Remeasurement**	**1 January 2018 (IFRS 9)**
Loans and receivables under IAS 39/financial assets at amortised cost under IFRS 9 (includes cash and cash equivalents, loans to customers)	449,815	-	-	449,815
Total measured at amortised cost	**449,815**	**-**	**-**	**449,815**

6 Interest income calculated using the effective interest method

	2018 AMD'000	2017 AMD'000
Interest income calculated using the effective interest method		
Loans to customers	11,349,941	1,347,557
Unwinding of discount on interest-free loans to customers (Note 8)	1,022,242	244,847
Loan to other related party	222,094	5,483
Cash and cash equivalents	4,534	2,572
	12,598,811	**1,600,459**
Interest expense		
Loans and borrowings	1,139,837	112,425
Unsecured credit lines from shareholder	355,441	313,012
Unsecured credit lines from other related party	161,201	-
	1,656,479	**425,437**

Included within various line items under interest income for the year ended 31 December 2018 is a total of AMD 1,662,110 thousand (2017: AMD 211,142 thousand) accrued on impaired financial assets.

Included in interest expense from loans and borrowings for the year ended 31 December 2018 is a total of AMD 183,814 thousand (2017: AMD 169,769 thousand) accrued on unused part of credit line from shareholder.

7 Net foreign exchange gain/(loss)

	2018 AMD'000	2017 AMD'000
Net gain/(loss) from foreign exchange revaluation	279,408	(102,466)
Net gain/(loss) from foreign exchange trading activities	970	(21,026)
	280,378	**(123,492)**

8 Other operating income/(expenses)

	2018 AMD'000	2017 AMD'000
Fines received	3,231,079	241,365
Losses on the origination of interest-free loans to customers	(1,011,347)	(294,956)
Other operating income	16,694	-
	2,236,426	**(53,591)**

Organization provides interest-free loans to new customers. Upon initial recognition interest-free loans are discounted using a market interest and the resulting difference between the fair value and the nominal amount is charged to profit or loss as losses on the origination of interest-free loans to customers.

9 Other general administrative expenses

	2018 AMD'000	2017 AMD'000
Operating lease expense	248,447	137,248
Communications and information services	165,298	30,449
Advertising and marketing	154,130	63,406
Depreciation and amortization	126,537	47,967
Professional services	105,033	7,464
Expenses on disbursement and collection of loans	91,804	38,795
Cash transportation expenses	73,228	31,623
Office and utility expenses	72,441	24,038
Repairs and maintenance	57,312	32,503
Donation expenses	21,823	-
Security	20,730	9,476
Other	63,769	26,958
	1,200,552	**449,927**

10 Income taxes

	2018 AMD'000	2017 AMD'000
Current period tax expense	(897,031)	-
Change in recognised deductible temporary differences (due to write-down or reversal of deferred tax assets)	77,283	-
Total income (tax expense)/benefit	**(819,748)**	**65,650**

In 2018, the applicable tax rate for current and deferred tax is 20% (2017: 20%).

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

	2018 AMD'000	%	2017 AMD'000	%
Profit/(loss) before tax	4,390,564		(540,889)	
Income tax (expense)/benefit at the applicable tax rate	(878,113)	(20)	108,178	20
Change in recognised deductible temporary differences (due to write-down or reversal of deferred tax assets)	16,623	0		
(Non-deductible expenses)/Non-taxable income	41,742	1	(42,528)	(8)
	(819,748)	**(19)**	**65,650**	**12**

(a) Deferred tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2018 and 2017.

Movements in temporary differences during the years ended 31 December 2018 and 2017 are presented as follows:

2018 **AMD'000**	**Balance** **1 January 2018**	**Recognized in** **profit or loss**	**Balance** **31 December 2018**
Loans to customers	99,092	189,813	288,905
Property, equipment and intangible assets	(1,159)	4,890	3,731
Other assets	(833)	455	(378)
Other liabilities	(19,870)	(117,875)	(137,745)
	77,230	**77,283**	**154,513**

2017 **AMD'000**	**Balance** **1 January 2017** **Unaudited**	**Recognized in** **profit or loss**	**Balance** **31 December 2017**
Cash and cash equivalents	(301)	301	-
Loans to customers	-	99,092	99,092
Property, equipment and intangible assets	-	(1,159)	(1,159)
Other assets	(58)	(775)	(833)
Other liabilities	11,939	(31,809)	(19,870)
	11,580	**65,650**	**77,230**

11 Cash and cash equivalents

	2018 **AMD'000**	**2017** **AMD'000**
Cash on hand	**155,084**	**228,865**
Cash in transit	**10,009**	**308,500**
Current accounts		
- largest 10 Armenian banks	21,398	19,107
- other Armenian banks	2	132,316
Total current accounts	**21,400**	**151,423**
Total cash and cash equivalents	**186,493**	**688,788**

No cash and cash equivalents are impaired or past due.

As at 31 December 2018 the Organization has no bank (2017: four banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2017 was AMD 151,423 thousand.

12 Loans to customers

	2018 AMD'000	2017 AMD'000
Express consumer loans	9,957,829	4,052,026
Gross loans to customers	**9,957,829**	**4,052,026**
Loss allowance	(1,234,362)	(449,815)
Net loans to customers	**8,723,467**	**3,602,211**

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

	2018 AMD'000	2017 AMD'000
Balance at the beginning of the year	449,815	-
Net charge	6,920,327	798,982
(Write-offs)/recoveries	(6,135,780)	(349,167)
Balance at the end of the year	**1,234,362**	**449,815**

(a) Credit quality of loans to customers

The following table sets out information about the credit quality of financial assets measured at amortised cost as at 31 December 2018. Unless specially indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Explanation of the terms: Stage 1, Stage 2, Stage 3 are included in Note 3(e)(iv).

	31 December 2018			31 December 2017
AMD'000	**Stage 1**	**Stage 2**	**Total loans**	**Total loans**
Loans to customers at amortised cost – retail customers				
Not overdue and extended loans	9,077,305	-	9,077,305	3,854,253
Overdue less than 15 days	-	398,288	398,288	96,663
Overdue 15-30 days	-	246,615	246,615	58,349
Overdue 30-45 days	-	235,621	235,621	42,761
	9,077,305	**880,524**	**9,957,829**	**4,052,026**
Loss allowance	(810,558)	(423,804)	(1,234,362)	(449,815)
Carrying amount	**8,266,747**	**456,720**	**8,723,467**	**3,602,211**

(b) Analysis of collateral and other credit enhancements

Loans to customers are not secured by collateral.

(c) Significant credit exposures

As at 31 December 2018 the Organization has no borrower or group of connected borrowers (2017: none), whose loan balance exceeds 10% of equity.

(d) Loan maturities

The maturity of the loan portfolio is presented in Note 18(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

13 Borrowings given to related parties

	2018 AMD'000	2017 AMD'000
Gross borrowings to related parties	**4,488,125**	**-**
Loss allowance	(202,857)	-
Net borrowings to related parties	**4,285,268**	**-**

Movements in the loan impairment allowance for the year ended 31 December are as follows:

	2018 AMD'000	2017 AMD'000
Balance at the beginning of the year	-	-
Net charge	202,857	-
(Write-offs)/recoveries	-	-
Balance at the end of the year	**202,857**	**-**

(a) Credit quality of borrowings given to related parties

The following table sets out information about the credit quality of financial assets measured at amortised cost as at 31 December. Unless specially indicated, the amounts in the table represent gross carrying amounts.

Explanation of the terms: Stage 1, Stage 2, Stage 3 are included in Note 3(e)(iv).

	31 December 2018**			31 December 2017
AMD'000	**Stage 1**	**Stage 2**	**Total loans**	**Total loans**
Borrowings given to related parties				
Borrowings without individual signs of impairment	4,488,125	-	4,488,125	-
	4,488,125	**-**	**4,488,125**	**-**
Loss allowance	(202,857)	-	(202,857)	-
Carrying amount	**4,285,268**	**-**	**4,285,268**	**-**

* The amount of the commitment does not necessarily represent future cash requirements, as the credit related commitment may expire or terminate without being funded and does not represent an enforceable and unconditional credit related commitment by the Organization.

** The loss allowance in this table includes ECL on loan commitments for borrowings given to related parties. See Note 20.

(b) Analysis of collateral and other credit enhancements

Borrowings given to related parties are not secured by collateral.

(c) Significant credit exposures

As at 31 December 2018 the Organization has one borrower or group of connected borrowers (2017: none), whose balance exceeds 10% of equity. The carrying amount of this borrowing given as at 31 December 2018 is AMD 4,285,268 thousand (31 December 2017: nil).

(d) Loan maturities

The maturity of the borrowings given to related parties is presented in Note 18(d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

14 Property, equipment and intangible assets

AMD'000	Leasehold improvements	Computers and equipment	Fixtures and fittings	Motor vehicles	Computer software	Total
Cost						
Balance at 1 January 2018	155,967	102,290	96,792	11,470	39,079	405,598
Additions	15,504	24,235	21,551	-	339,657	400,947
Disposals	-	-	(522)	-	(2,519)	(3,041)
Balance at 31 December 2018	**171,471**	**126,525**	**117,821**	**11,470**	**376,217**	**803,504**
Depreciation and amortization						
Balance at 1 January 2018	13,594	16,686	15,125	1,172	2,679	49,256
Depreciation and amortization for the year	31,389	33,755	31,377	2,294	27,722	126,537
Disposals	-	-	(275)	-	-	(275)
Balance at 31 December 2018	**44,983**	**50,441**	**46,227**	**3,466**	**30,401**	**175,518**
Carrying amount						
At 31 December 2018	**126,488**	**76,084**	**71,594**	**8,004**	**345,816**	**627,986**
Cost						
Balance at 1 December 2017	26,450	9,668	10,004	-	220	46,342
Additions	129,738	92,622	86,817	11,470	38,859	359,506
Disposals	(221)	-	(29)	-	-	(250)
Balance at 31 December 2017	**155,967**	**102,290**	**96,792**	**11,470**	**39,079**	**405,598**
Depreciation and amortization						
Balance at 1 December 2017	788	223	273	-	12	1,296
Depreciation and amortization for the year	12,807	16,463	14,858	1,172	2,667	47,967
Disposals	(1)	-	(6)	-	-	(7)
Balance at 31 December 2017	**13,594**	**16,686**	**15,125**	**1,172**	**2,679**	**49,256**
Carrying amount						
At 31 December 2017	**142,373**	**85,604**	**81,667**	**10,298**	**36,400**	**356,342**

There are no capitalized borrowing costs related to the acquisition or construction of plant and equipment during 2018 (2017: nil).

15 Loans and borrowings

This note provides information about the contractual terms of interest-bearing loans and borrowings which are measured at amortized cost. For more information about the Organization's exposure to interest rate, foreign currency and liquidity risk, see Note 18.

	2018 AMD'000	2017 AMD'000
Secured loans from other entities	8,286,674	-
Unsecured bank loans	1,306,284	100,783
Unsecured loans from other entities	723,298	717,154
Unsecured credit lines from shareholder	454,626	1,897,493
Unsecured bank revolving credit line	50,205	60,378
Unsecured credit lines from other related parties	169	1,876,438
	10,821,256	**4,652,246**

(a) Terms and debt repayment schedule

				31 December 2018		31 December 2017	
AMD '000	**Currency**	**Nominal interest rate**	**Year of maturity**	**Face value**	**Carrying amount**	**Face value**	**Carrying amount**
Secured loans from other entities*	EUR	16.8% (average)	2019-2023**	8,286,674	8,286,674	-	-
Unsecured loans from other entities 1	USD	16.0%	2020	448,575	448,575	443,862	443,862
Unsecured loans from other entities 2	AMD	18.0%	2019	203,649	203,649	-	-
Unsecured loans from other entities 3	AMD	17.0%	2019	71,074	71,074	70,419	70,419
Unsecured loans from other entities 4	AMD	15.0%	2018	-	-	202,873	202,873
Unsecured bank loans 1	AMD	13.5%	2021	1,005,157	1,005,157	-	-
Unsecured bank loans 2	AMD	12.5%	2020	301,127	301,127	-	-
Unsecured bank loans 3	AMD	11.0%	2018	-	-	100,783	100,783
Unsecured credit lines from shareholder 1	EUR	13.6%	2019	454,626	454,626	1,087,225	1,087,225
Unsecured credit lines from shareholder 2	EUR	13.3%	2018	-	-	810,268	810,268
Unsecured bank revolving credit line 1	AMD	12.5%	2019	50,205	50,205	-	-
Unsecured bank revolving credit line 2	AMD	13.5%	2018	-	-	60,378	60,378
Unsecured credit lines from other related parties 1	EUR	13.3%	2018	-	-	1,046,289	1,046,289
Unsecured credit lines from other related parties 2	EUR	12.6%	2018	-	-	422,603	422,603
Unsecured credit lines from other related parties 3	EUR	17.8%	2019	169	169	407,546	407,546
Total loans and borrowings				**10,821,256**	**10,821,256**	**4,652,246**	**4,652,246**

* The amount is secured by the "loans to customers portfolio", which is financed by that borrowing.

** The maturity of the outstanding loan balance is less than 1 month, however the framework agreement is effective until 2023 year.

(b) Concentration of loans and borrowings

As at 31 December 2018, the Organization has five entities (2017: six), whose balances exceed 10% of equity. These balances as at 31 December 2018 are AMD 10,821,110 thousand (2017: AMD 4,652,246 thousand).

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities

AMD'000	Loans and borrowings
Balance at 1 January 2018	4,652,246
Changes from financing cash flows	
Proceeds from other borrowed funds	11,779,111
Repayment of other borrowed funds	(6,382,149)
Total changes from financing cash flows	**5,396,962**
The effect of changes in foreign exchange rates	**(444,751)**
Other changes	
Set off with loans given balances	1,110,138
Other non-cash decrease	(105,471)
Interest expense	1,656,479
Interest paid	(1,444,347)
Balance at 31 December 2018	**10,821,256**

As at 31 December 2018, the Organization had Secured loans from other entities amounting to AMD 8,286,674 with a contractual maturity less than 1 month. According to the terms of the agreement, the Organization is subject to a debt covenant stating that starting from 31 December 2018 at the end of the each quarter the equity to assets ratio cannot fall below 20% and cash buffer ratio should not fall below 5%.

As of 31 December 2018 the Organization was in breach of these covenants. Management obtained a waiver on 23 April 2019 stating that the lender has waived the Organization's failure to comply with the above mentioned covenants at 31 December 2018 and 31 March 2019.

16 Other liabilities

	2018 AMD'000	2017 AMD'000
Payables to shareholder	38,836	67,610
Payables to suppliers	224,838	56,798
Total other financial liabilities	**263,674**	**124,408**
Other taxes payable	242,275	28,466
Payables to employees	36,033	21,960
Other	40,540	6,130
Total other non-financial liabilities	**318,848**	**56,556**
Total other liabilities	**582,521**	**180,964**

17 Share capital and reserves

(a) Issued capital

The authorized, issued and outstanding share capital comprises 600,000 ordinary shares (2017: 455,000). All shares have a nominal value of AMD 1,000 (2017: AMD 1,000).

(b) Dividends

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 Organization.

Dividends of AMD 1,720,000 thousand were declared during 2018 (2017: no dividends). No cash disbursement was made for the dividends, instead full amount was offset with loan balance with shareholder.

18 Risk management

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

(a) Risk management policies and procedures

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

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

The Management Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Organization operates within established risk parameters.

Credit, market and liquidity risks, both at the portfolio and transactional levels, are managed and controlled by Management Board.

In compliance with the Organization's internal documentation the internal audit function frequently prepare reports, which cover the Organization's significant risks management. The reports include observations as to assessment of the effectiveness of the Organization's procedures and methodologies, and recommendations for improvement.

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

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while 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 2018							
ASSETS							
Cash and cash equivalents	19,486	-	-	-	-	167,007	186,493
Loans to customers	8,723,467	-	-	-	-	-	8,723,467
Borrowings given to related parties	-	-	4,285,268	-	-	-	4,285,268
	8,742,953	**-**	**4,285,268**	**-**	**-**	**167,007**	**13,195,228**
LIABILITIES							
Loans and borrowings	8,381,255	654,626	195,383	1,589,992	-	-	10,821,256
	8,381,255	**654,626**	**195,383**	**1,589,992**	**-**	**-**	**10,821,256**
	361,698	**(654,626)**	**4,089,885**	**(1,589,992)**	**-**	**167,007**	**2,373,972**
31 December 2017							
ASSETS							
Cash and cash equivalents	151,265	-	-	-	-	537,523	688,788
Loans to customers	3,602,211	-	-	-	-	-	3,602,211
	3,753,476	**-**	**-**	**-**	**-**	**537,523**	**4,290,999**
LIABILITIES							
Loans and borrowings	61,854	942,104	3,142,598	505,690	-	-	4,652,246
	61,854	**942,104**	**3,142,598**	**505,690**	**-**	**-**	**4,652,246**
	3,691,622	**(942,104)**	**(3,142,598)**	**(505,690)**	**-**	**537,523**	**(361,247)**

Average effective interest rates

The table below displays average effective interest rates for interest-bearing assets and liabilities as at 31 December 2018 and 2017. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2018 Average effective interest rate, %			2017 Average effective interest rate, %		
	AMD	**USD**	**EUR**	**AMD**	**USD**	**EUR**
Interest bearing assets						
Cash and cash equivalents						
- Current accounts	1.91%	-	-	2.90%	-	-
Loans to customers	149.0%	-	-	88.4%	-	-
Borrowings given to related parties	-	-	13.0%	-	-	-
Interest bearing liabilities						
Loans and borrowings						
- Unsecured credit lines from shareholder						
- Used part of credit line	-	-	13.6%	-	-	13.5%
- Unused part of credit line	-	-	3.3%	-	-	3.5%
- Unsecured credit lines from other related parties	-	-	17.8%	-	-	14.1%
- Unsecured loans from other entities	17.7%	16.0%	-	15.5%	16.0%	-
- Unsecured bank loans	13.3%	-	-	11.0%	-	-
- Unsecured bank revolving credit line	12.5%	-	-	13.5%	-	-
- Secured loans from other entities	-	-	16.8%	-	-	-

Interest rate sensitivity analysis

The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of 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 2018 and 2017, is as follows:

	2018 AMD'000	**2017 AMD'000**
100 bp parallel fall	(7,302)	20,537
100 bp parallel rise	7,302	(20,537)

(ii) Currency risk

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

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

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2018:

	AMD AMD'000	EUR AMD'000	USD AMD'000	Total AMD'000
ASSETS				
Cash and cash equivalents	186,470	23	-	186,493
Loans to customers	8,723,467	-	-	8,723,467
Borrowings given to related parties	-	4,285,268	-	4,285,268
Other financial assets	28,569	-	-	28,569
Total assets	**8,938,506**	**4,285,291**	**-**	**13,223,797**
LIABILITIES				
Loans and borrowings	1,631,212	8,741,469	448,576	10,821,257
Other financial liabilities	89,434	174,240	-	263,674
Total liabilities	**1,720,646**	**8,915,709**	**448,576**	**11,084,931**
Net position	**7,217,860**	**(4,630,418)**	**(448,576)**	**2,138,866**

The following table shows the currency structure of financial assets and liabilities as at 31 December 2017:

	AMD AMD'000	EUR AMD'000	USD AMD'000	Total AMD'000
ASSETS				
Cash and cash equivalents	688,776	12	-	688,788
Loans to customers	3,602,211	-	-	3,602,211
Other financial assets	537	5,629	-	6,166
Total assets	**4,291,524**	**5,641**	**-**	**4,297,165**
LIABILITIES				
Loans and borrowings	434,453	3,773,931	443,862	4,652,246
Other financial liabilities	56,798	67,610		124,408
Total liabilities	**491,251**	**3,841,541**	**443,862**	**4,776,654**
Net position	**3,800,273**	**(3,835,900)**	**(443,862)**	**(479,489)**

A weakening of the AMD, as indicated below, against the following currencies at 31 December 2018 and 2017, 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 income (expense) from variance in foreign currency exchange rates is non-taxable (non-deductible). The analysis assumes that all other variables, in particular interest rates, remain constant.

	2018 AMD'000	2017 AMD'000
10% appreciation of USD against AMD	(44,858)	(44,386)
10% appreciation of EUR against AMD	(463,042)	(383,590)

A strengthening of the AMD against the above currencies at 31 December 2018 and 2017 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(c) Credit risk

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

The credit policy establishes:

- procedures for reviewing and approving loan credit applications;
- methodology for the credit assessment of borrowers;
- credit documentation requirements.

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

	2018 AMD'000	2017 AMD'000
ASSETS		
Cash and cash equivalents	21,400	151,423
Loans to customers	8,723,467	3,602,211
Borrowings given to related parties	4,285,268	-
Other financial assets	28,569	6,166
Total maximum exposure	**13,058,704**	**3,759,800**

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

As at 31 December 2018 the Organization has one debtor or group of connected debtors (2017: none), credit risk exposure to whom exceeds 10 percent maximum credit risk exposure. The credit risk exposure for this customer as at 31 December 2018 is AMD 4,285,268 thousand.

(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 Management Board.

The Organization seeks to actively support a diversified and stable funding base comprising long- and short-term loans and borrowings from financial institutions. The liquidity management policy requires:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory 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 inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or credit related commitment.

The maturity analysis for financial assets and liabilities as at 31 December 2018 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities							
Loans and borrowings	8,418,113	45,973	719,813	689,521	2,017,552	11,890,972	10,821,256
Other financial liabilities	138,294	19,885	-	-	-	158,179	263,674
Total financial liabilities	**8,556,407**	**65,858**	**719,813**	**689,521**	**2,017,552**	**12,049,151**	**11,084,930**
Credit related commitments	**7,734,027**	**-**	**-**	**-**	**-**	**7,734,027**	**-**

The maturity analysis for financial assets and liabilities as at 31 December 2017 is as follows:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Non-derivative liabilities							
Loans and borrowings	97,198	114,255	1,079,435	3,764,105	615,182	5,670,175	4,652,246
Other financial liabilities	56,798	67,610	-	-	-	124,408	124,408
Total financial liabilities	**153,996**	**181,865**	**1,079,435**	**3,764,105**	**615,182**	**5,794,583**	**4,776,654**
Credit related commitments	**580,100**	**-**	**-**	**-**	**-**	**580,100**	**-**

The table below shows an analysis, by expected maturities, of amounts recognized in the statement of financial position as at 31 December 2018:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	No maturity	Overdue	Total
ASSETS							
Cash and cash equivalents	186,493	-	-	-	-	-	186,493
Loans to customers	8,323,182	88,477		-	-	311,808	8,723,467
Borrowings given to related parties	-	-	4,285,268	-	-	-	4,285,268
Property, equipment and intangible assets	-	-	-	-	627,986	-	627,986
Deferred tax assets	-	-	-	-	154,513	-	154,513
Other assets	42,604	-	30,592	-	705	-	73,901
Total assets	**8,552,279**	**88,477**	**4,315,860**	**-**	**783,204**	**311,808**	**14,051,628**
LIABILITIES							
Loans and borrowings	8,381,254	-	850,010	1,589,992	-	-	10,821,256
Current tax liability	-	-	713,513	-	-	-	713,513
Other liabilities	271,990	19,885	290,646	-	-	-	582,521
Total liabilities	**8,653,244**	**19,885**	**1,854,169**	**1,589,992**	**-**	**-**	**12,117,290**
Net position	**(100,965)**	**68,592**	**2,461,691**	**(1,589,992)**	**783,204**	**311,808**	**1,934,338**

The table below shows an analysis, by expected maturities, of amounts recognized in the statement of financial position as at 31 December 2017:

AMD'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	No maturity	Overdue	Total
ASSETS							
Cash and cash equivalents	688,788	-	-	-	-	-	688,788
Loans to customers	3,528,479	-	-	-	-	73,732	3,602,211
Property, equipment and intangible assets	-	-	-	-	356,342	-	356,342
Deferred tax assets	-	-	-	-	77,230	-	77,230
Other assets	46,514	-	-	-	647	-	47,161
Total assets	**4,263,781**	**-**	**-**	**-**	**434,219**	**73,732**	**4,771,732**
LIABILITIES							
Loans and borrowings	45,624	16,230	4,084,702	505,690	-	-	4,652,246
Other liabilities	115,803	65,161	-	-	-	-	180,964
Total liabilities	**161,427**	**81,391**	**4,084,702**	**505,690**	**-**	**-**	**4,833,210**
Net position	**4,102,354**	**(81,391)**	**(4,084,702)**	**(505,690)**	**434,219**	**73,732**	**(61,478)**

19 Capital management

The CBA 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 CBA, credit organizations have to maintain a minimum share capital of AMD 150,000 thousand (2017: AMD 150,000 thousand) and total capital of AMD 150,000 thousand (2017: AMD 150,000 thousand). Total capital of the Organization as at 31 December 2018 reported under CBA reporting regulations amounted to AMD 2,604,408 thousand (2017: AMD 181,064 thousand). The Organization is in compliance with the minimum share capital and total capital requirements as at 31 December 2018. The Organization is not imposed to other statutory requirements.

20 Credit related commitments

The Organization has outstanding credit related commitment to extend loan to shareholder and other related company.

The contractual amount of credit related commitment is as follows: as at 31 December 2018 is AMD 7,734,027 thousand (2017: AMD 580,100 thousand).

	2018 AMD'000	**2017 AMD'000**
Credit commitments to parent	5,536,500	580,100
Credit commitments to entity under common control	2,197,527	-
	7,734,027	**580,100**

The amount of the commitment does not necessarily represent future cash requirements, as the credit related commitment may expire or terminate without being funded and does not represent an enforceable and unconditional credit related commitment by the Organization.

21 Operating leases

(a) Leases as lessee

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

	2018 AMD'000	**2017 AMD'000**
Less than 1 year	108,809	93,014
Between 1 and 5 years	163,177	176,378
	271,986	**269,392**

The Organization 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 then renew the lease. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

22 Contingencies

(a) Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Organization does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property damage arising from accidents on its property or relating to operations.

Management believes that with contingency preventive and recovery controls implemented by the Organization the risk of loss or destruction of certain assets will not 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.

(c) Taxation contingencies

The taxation system in Armenia is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes unclear, contradictory and subject to varying interpretation. Taxes are subject to review and investigation by tax authorities, which have the authority to impose fines and penalties. 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 Armenia that are 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 these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

23 Financial assets and liabilities: fair values and accounting classifications

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

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

The estimated fair values of all financial instruments as at 31 December 2018 and 31 December 2017 approximate their carrying amounts.

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

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

24 Related party transactions

(a) Transactions with members of the Management Board

Total remuneration included in personnel expenses for the years ended 31 December 2018 and 31 December 2017 is as follows:

	2018 AMD'000	2017 AMD'000
Profit or loss		
Employee compensation included in personnel expenses	**108,633**	**50,226**

(b) Transactions with other related parties

The outstanding balances and the related average effective interest rates as at 31 December 2018 and related profit or loss amounts of transactions for the year ended 31 December 2018 with other related parties is as follows:

	Parent company		Entities under common control		Total
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000
Statement of financial position					
ASSETS					
Borrowings given to related parties					
- In EUR					
Principal balance	-	-	4,488,125	13.00%	4,488,125
Impairment allowance	(92,208)	-	(110,649)	-	(202,857)
Other assets					
- In EUR	24,366	-	-	-	24,366
LIABILITIES					
Loans and borrowings					
- In EUR	-	Used part 13.5%	-	17.8%	-
Loans and borrowings (accrued interest on unused part)					
- In EUR	(454,626)	Unused part 3.3%	(169)	-	(454,795)
Other liabilities					
- In EUR	(38,836)	-	-	-	(38,836)
Profit (loss)					
Interest income	124,505	-	97,589	-	222,094
Interest expense	(355,441)	-	(161,201)	-	(516,642)
Other general administrative expenses	(128,402)	-	(33,177)	-	(161,579)

The outstanding balances and the related average effective interest rates as at 31 December 2017 and related profit or loss amounts of transactions for the year ended 31 December 2017 with other related parties is as follows:

	Parent company		Entities under common control		Total
	AMD'000	Average effective interest rate, %	AMD'000	Average effective interest rate, %	AMD'000
Statement of financial position					
ASSETS					
Other assets	5,629	-	-	-	5,629
LIABILITIES					
Loans and borrowings					
- In EUR	(1,596,636)	Used part 16.82%	-	-	(1,596,636)
Loans and borrowings (accrued interest on unused part)					
- In EUR	(300,857)	Unused part 3.5%	-	-	(300,857)
Other liabilities					
- In EUR	(67,610)	-	-	-	(67,610)
Profit (loss)					
Interest income	5,483	-	-	-	5,483
Interest expense	(313,012)	-	-	-	(313,012)
Other general administrative expenses	(21,200)	-	-	-	(21,200)