FINCA
UNIVERSAL CREDIT ORGANIZATION
CLOSED JOINT STOCK COMPANY

Financial Statements
For the year ended December 31, 2014

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014

Management is responsible for the preparation of the financial statements that present fairly the financial position of FINCA Universal Credit Organization Closed Joint Stock Company (the "Organization") as of December 31, 2014, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Organization's financial position and financial performance;
- making an assessment of the Organization's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Organization;
- maintaining adequate accounting records that are sufficient to show and explain the Organization's transactions and disclose with reasonable accuracy at any time the financial position of the Organization, and which enable them to ensure that the financial statements of the Organization comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Armenia;
- taking such steps that are reasonably available to them to safeguard the assets of the Organization; and
- preventing and detecting fraud and other irregularities.

The financial statements of the Organization for the year ended December 31, 2014 were approved by management on March 31, 2015.

On behalf of the Management:

Hrachya Tokhmakhyan
General Director

Artak Miqayelyan
Chief Accountant

March 31, 2015
Yerevan, Republic of Armenia

Deloitte.

Deloitte Armenia CJSC
Business Center "Griar"
4/6, Amiryan St., 3 floor
Yerevan, 0010,
Armenia

Tel: +374 10 52 65 20
Fax: +374 10 52 75 20
www.deloitte.am

INDEPENDENT AUDITOR'S REPORT

To: Shareholders and the Board of Directors of FINCA Universal Credit Organization Closed Joint Stock Company

We have audited the accompanying financial statements of FINCA Universal Credit Organization Closed Joint-Stock Company, which comprise the statement of financial position as at December 31, 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of FINCA Universal Credit Organization Closed Joint-Stock Company as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Srbuhi Hakobyan
Executive Director

Arpine Ghevondyan
Audit Director

Deloitte Armenia cjsc
March 31, 2015

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Statement of financial position as at December 31, 2014

In USD	Notes	December 31, 2014	December 31, 2013
Assets:			
Cash and cash equivalents	5	5,596,539	3,782,590
Financial assets at fair value through profit or loss	6	223,309	-
Loans to customers	7	55,240,819	56,384,272
Current income tax assets		8,325	-
Deferred income tax assets	19	273,470	414,880
Property and equipment	8	1,155,858	1,329,388
Intangible assets	9	315,542	328,365
Other assets	10	207,859	271,763
Total assets		**63,021,721**	**62,511,258**
Liabilities:			
Borrowed funds	11	47,343,552	46,723,346
Current income tax liabilities		-	149,771
Other liabilities	12	769,126	1,047,744
Subordinated debt	13	2,540,883	2,536,653
Total liabilities		**50,653,561**	**50,457,514**
Equity:	14		
Share capital		11,815,575	10,815,575
Foreign currency translation reserve		(2,300,376)	(241,912)
Retained earnings		2,852,961	1,480,081
Total equity		**12,368,160**	**12,053,744**
Total liabilities and equity		**63,021,721**	**62,511,258**

The financial statements were authorised for issue on March 31, 2015 by the Board of Directors.

Hrachya Tokhmakhyan
General Director

Artak Miqayelyan
Chief Accountant

Statement of profit or loss and other comprehensive income for the year ended December 31, 2014

In USD	Notes	2014	2013
Interest income	15	18,373,470	15,025,049
Interest expense	15	(5,733,744)	(4,895,021)
Net interest income before impairment losses on interest bearing assets		**12,639,726**	**10,130,028**
Impairment losses on interest bearing assets	7	(960,863)	(679,487)
Net interest income		**11,678,863**	**9,450,541**
Fee and commission expense		(103,353)	(61,445)
Net gain/ (loss) on financial assets and liabilities at fair value through profit or loss	6	247,007	(12,367)
Foreign exchange translation(loss)/ gain	16	(37,927)	26,771
Other income		4,688	11,129
Net non-interest income/ (expense)		**110,415**	**(35,912)**
Operating income		**11,789,278**	**9,414,629**
Staff costs	17	(5,632,842)	(5,530,341)
Depreciation and amortization	8, 9	(427,458)	(400,571)
Other operating expenses	18	(4,010,114)	(3,612,543)
Operating expenses		**(10,070,414)**	**(9,543,455)**
Profit/ (loss) before income tax		**1,718,864**	**(128,826)**
Income tax (expense)/ benefit	19	(345,984)	31,601
Net profit/ (loss) for the year		**1,372,880**	**(97,225)**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Foreign currency translation difference		(2,058,464)	(74,330)
Other comprehensive income after income tax		**(2,058,464)**	**(74,330)**
Total comprehensive income		**(685,584)**	**(171,555)**

The financial statements were authorised for issue on March 31, 2015 by the Board of Directors.

Hrachya Tokhmakhyan
General Director

Artak Miqayelyan
Chief Accountant

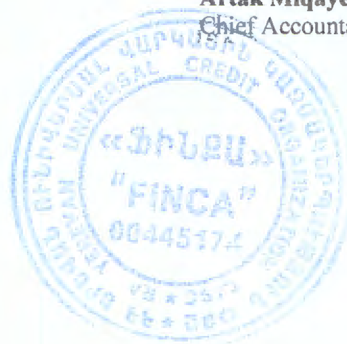
Statement of changes in equity for the year ended December 31, 2014

In USD	Notes	Share capital	Foreign currency translation reserve	Retained earnings	Total
Balance at January 1, 2013		**10,815,575**	**(167,582)**	**2,299,542**	**12,947,535**
Loss for the year		-	-	(97,225)	(97,225)
Other comprehensive income for the year, net of income tax		-	(74,330)	-	(74,330)
Total comprehensive income		**-**	**(74,330)**	**(97,225)**	**(171,555)**
Dividends declared	14	-	-	(722,236)	(722,236)
Balance at December 31, 2013		**10,815,575**	**(241,912)**	**1,480,081**	**12,053,744**
Profit for the year		-	-	1,372,880	1,372,880
Other comprehensive income for the year, net of income tax		-	(2,058,464)	-	(2,058,464)
Total comprehensive income		**-**	**(2,058,464)**	**1,372,880**	**(685,584)**
Issue of ordinary shares	14	1,000,000	-	-	1,000,000
Balance at December 31, 2014		**11,815,575**	**(2,300,376)**	**2,852,961**	**12,368,160**

The financial statements were authorised for issue on March 31, 2015 by the Board of Directors.

Hrachya Tokhmakhyan
General Director

Artak Miqayelyan
Chief Accountant



Statement of cash flows for the year ended December 31, 2014

In USD	Notes	2014	2013
Cash flows from operating activities:			
Net profit/(loss) for the year		1,372,880	(97,225)
Adjustments for:			
Income tax expense/ (benefit) recognized in profit and loss		345,984	(31,601)
Impairment losses on interest bearing assets		960,863	679,487
Loss on disposal of property and equipment and intangible assets		141,149	-
Net unrealised gain on financial assets at fair value through profit or loss		(255,117)	-
Net change in accrued interest		(375,982)	1,836,738
Depreciation and amortization		427,458	400,571
Net foreign exchange loss/(gain)		73,626	(8,180)
Cash inflow from operating activities before changes in operating assets and liabilities		**2,690,861**	**2,779,790**
Changes in operating assets and liabilities			
Increase in loans to customers		(5,462,894)	(14,930,553)
Decrease in other assets		39,998	251,745
(Decrease)/ increase in other liabilities		(147,822)	307,513
Cash outflow from operating activities before taxation		**(2,879,857)**	**(11,591,505)**
Income tax paid		(409,256)	(222,156)
Net cash used in operating activities		**(3,289,113)**	**(11,813,661)**
Cash flows from investing activities:			
Purchase of property and equipment		(429,015)	(672,061)
Purchase of intangible assets		(203,144)	(116,794)
Net cash used in investing activities		**(632,159)**	**(788,855)**
Ccash flows from financing activities:			
Proceeds from issue of shares		1,000,000	-
Dividends paid		-	(722,236)
Proceeds from borrowed funds		29,853,600	32,805,843
Repayment of borrowed funds		(24,546,872)	(21,732,047)
Net cash generated by financing activities		**6,306,728**	**10,351,560**
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		(571,507)	(44,367)
Net increase/(decrease) in cash and cash equivalents		**1,813,949**	**(2,295,323)**
Cash and cash equivalents, beginning of the year	5	**3,782,590**	**6,077,913**
Cash and cash equivalents, end of the year	5	**5,596,539**	**3,782,590**

The financial statements were authorised for issue on March 31, 2015 by the Board of Directors.

Hrachya Tokhmakhyan
General Director

Artak Miqayelyan
Chief Accountant

Notes to the financial statements for the year ended December 31, 2014

1. Organization

FINCA Universal Credit Organization cjsc (the "Organization") is a closed joint stock company - 100% subsidiary of FINCA Microfinance Coöperatief U.A. (Netherlands). The Organization is regulated by the Central Bank of Armenia (the "CBA") and conducts its business under license number 13, granted on 28 March 2006.

The Organization is involved in microfinance and provides individual business loans, solidarity group-based general and group-based agricultural micro loans. The loans are disbursed both in local and foreign currencies.

The registered office of the Organization is located at 2a, Agatangeghos str., Yerevan, Republic of Armenia.

As at December 31, 2014 the Organization had 35 branches operating in Armenia (December 31, 2013: 28 branches).

The founder and ultimate controlling party of the Organization is FINCA International Inc., a network of microfinance institutions based in Washington, D.C., with affiliates/subsidiaries operating in 21 countries around the world. In 2011 FINCA International Inc. transferred 100% of issued shares (136,472 shares) of the Organization to FINCA Microfinance Coöperatief U.A. (a cooperative with exclusion on liability, having its official seat in Amsterdam, the Netherlands) as a member contribution to the Cooperative.

As of December 31, 2014, the members of the Cooperative were:

1. FINCA MICROFINANCE HOLDING COMPANY LLC, a limited liability company registered under the laws of the State of Delaware, United States of America and having its registered address at 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, United States of America. FINCA MICROFINANCE HOLDING COMPANY LLC holds 99 voting rights as a Member A and 1 voting right as a Member B of the Cooperative.
2. FINCA INTERNATIONAL LLC, a limited liability company registered under the laws of the State of Maryland, United States of America and having its registered address at 11 East Chase Street, Baltimore, Maryland 21202, United States of America. FINCA INTERNATIONAL LLC holds 1 voting right as a Member B of the Cooperative.

As at December 31, 2014 and 2013 the following shareholders owned FINCA MICROFINANCE HOLDING COMPANY LLC:

	December 31,2014	December 31, 2013
First level shareholders/ holders of the issued share capital:	%	%
FINCA International LLC	62.08%	60.80%
International Finance Corporation	14.60%	14.80%
KfW	9.07%	9.49%
Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V.	7.42%	7.76%
Credit Suisse Microfinance Fund Management Company	3.02%	3.16%
ASN-NOVIB FONDS	1.71%	1.79%
Triodos Custody B.V.	1.05%	1.10%
Triodos SICAV II	1.05%	1.10%
Total	**100%**	**100%**

FINCA International Inc. is a not-for-profit corporation under the laws of the United State of America and as such, its Members hold no ownership in the Organization and have no economic rights. As at December 31, 2014 the Members of FINCA International, Inc. are as follows: Rupert Scofield, John Hatch, Robert Hatch and Richard Williamson. FINCA International Inc. produces publicly available financial statements.

The purpose of FINCA is to "Help the poor help themselves". FINCA believes that world hunger and poverty cannot be cured simply by food handouts and grants but can be permanently affected by self-help and self-sufficiency of the poor. FINCA provides self-help opportunity by establishing community revolving loan funds, or "village banks", in impoverished communities through affiliated organizations ("affiliates").

The affiliates are typically separate legal entities that enter into affiliate agreements with FINCA. Small loans support investment in individual or community productive micro enterprises. Participants build self-reliance, self-esteem, and a savings fund that remains within the community as a permanent source of capital for continued investment.

2. Significant accounting policies

Statement of compliance: These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements have been prepared assuming that the Organization is a going concern and will continue in operation for the foreseeable future.

These financial statements are presented in United States Dollars ("USD"), unless otherwise indicated.

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Organization takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Organization presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 24.

Functional currency: Items included in the financial statements are measured using the currency of the primary of the economic environment in which the Organization operates ("the functional currency"). The functional currency of the Organization is the Armenian Drams ("AMD"). The presentational currency of the financial statements of the Organization is the USD.

Translation of financial statements denominated in functional currency into presentation currency is performed as follow:

- assets and liabilities are translated at the exchange rate at the reporting date,
- income and expense are translated at the average annual rate
- share capital and other reserve items of capital are translated at the historical rate
- the resulting differences are presented as a component of comprehensive income and are recognized directly into equity referred as the "Foreign Currency Translation Reserve".

Offsetting: Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Organization.

The principal accounting policies are set out below.

Revenue recognition

Recognition of interest income and expense: Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Organization and the amount of income can be measured reliably. Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of fee and commission income: Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit or loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. All other commissions are recognized when services are provided.

Financial instruments. The Organization recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets: Financial assets are classified into the following specified categories: a) financial assets ‘at fair value through profit or loss’ (“FVTPL”), b) ‘held to maturity’ (“HTM”) investments, c) ‘loans and receivables’ and d) ‘available-for-sale’ (“AFS”) financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

a) Financial assets at FVTPL: Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Organization manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Organization's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend and interest earned on the financial asset and is included in the 'other gains and losses' and 'interest income' line item, respectively, in the statement of profit or loss and other comprehensive income.

b) Held to maturity investments: Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Organization has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortized cost using the effective interest method less any impairment.

If the Organization were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Organization would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

c) Loans and receivables: Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market (including due from banks, loans to customers and other financial assets) are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

d) Available-for-sale financial assets: Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) financial assets at fair value through profit or loss, (b) held to maturity investments or (c) loans and receivables.

Impairment of financial assets: Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Organization's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Restructured loans: The contractual terms of a loan may be modified for a number of reasons including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of a customer. When the contractual payment terms of a loan have been modified because management have significant concerns about the borrower's ability to meet contractual payments when due, these loans are classified as 'restructured loans'. For retail lending, when considering whether there is 'significant concern' regarding a customer's ability to meet contractual loan repayments when due, management assess the customer's delinquency status, account behaviour, repayment history, current financial situation and continued ability to repay. Where the customer is not meeting contractual repayments or it is evident that they will be unable to do so without the renegotiation, there will be a significant concern regarding their ability to meet contractual payments, and the loan will be disclosed as impaired, unless the concession granted is insignificant and there are no other indicators of impairment.

Where the modification of contractual payment terms of a loan represents a concession for economic or legal reasons relating to the borrower's financial difficulty, and is a concession that management would not otherwise consider then the restructured loan is disclosed as impaired.

A restructured loan is presented as impaired and impairment losses are measured when:
- there has been a change in contractual cash flows as a result of a concession which the lender would otherwise not consider, and
- it is probable that without the concession, the borrower would be unable to meet contractual payment obligations in full.

The restructured loan will continue to be disclosed as impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, and there are no other indicators of impairment. For loans that are assessed for impairment on a collective basis, the evidence typically comprises a history of payment performance against the original or revised terms, as appropriate to the circumstances. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case by case basis.

Restructured loans are classified as unimpaired where the renegotiation has resulted from significant concern about a borrower's ability to meet their contractual payment terms but the restructured terms are based on current market rates and contractual cash flows are expected to be collected in full following the renegotiation. Unimpaired restructured loans also include previously impaired restructured loans that have demonstrated satisfactory performance over a period of time or have been assessed based on all available evidence as having no remaining indicators of impairment. Restructured loans are segregated from other parts of the loan portfolio for collective impairment assessment to reflect the possible higher rates of losses for these segments.

When determining whether a loan that is restructured should be derecognised and a new loan recognised, management consider the extent to which the changes to the original contractual terms result in the restructured loan, considered as a whole, being a substantially different financial instrument. Factors that may indicate that the revised loan is a substantially different financial instrument include change in guarantees or loan covenants provided less significant changes to collateral arrangements, the addition of repayment provisions or prepayment premium clauses. Loans that have been identified as restructured retain this designation until maturity or derecognition.

Write off of loans and advances: Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Organization and after the Organization has sold all available collateral.

Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of profit or loss and other comprehensive income in the period of recovery.

Derecognition of financial assets: The Organization derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Organization neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Organization recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Organization retains substantially all the risks and rewards of ownership of a transferred financial asset, the Organization continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain of loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Organization retains an option to repurchase part of a transferred asset), the Organization allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments issued

Classification as debt or equity: Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument**.**

Equity instruments: An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Organisation's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Organisation's own equity instruments.

Financial liabilities: Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Organization manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Organization's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Other financial liabilities: Other financial liabilities (including borrowed funds, subordinated debt and other financial liabilities) are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities: The Organization derecognizes financial liabilities when, and only when, the Organization's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Derivative financial instruments: In the normal course of business the Organization enters into various derivative financial instruments including currency swaps and currency exchange contracts.

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index. In a currency swap, the Organization enters pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Such financial instruments are held for trading and are initially recognized in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses from transactions in the above instruments are reported in the statement of profit or loss as gains less losses arising from transactions in financial assets (liabilities) at fair value through profit or loss. Changes in the fair value of derivative instruments are included in gain/loss.

The Organization as lessee: Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Cash and cash equivalents: Cash and cash equivalents consist of cash on hand and amounts due from credit institutions with original maturity of less or equal to 90 days and are free from contractual encumbrances.

Repossessed assets: In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell.

Property and equipment: Property and equipment is carried at historical cost less accumulated depreciation and any recognized impairment loss, if any.

Depreciation is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives. Depreciation is calculated on a straight line basis at the following useful lives:

- communication devices and computers — 3 years;
- office equipment — 5 years;
- vehicles — 5 years;
- other — 5 years.

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Organisation will obtain ownership by the end of the lease term or renew the lease term.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of

property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets
Intangible assets acquired separately: Intangible assets consists mainly of software and licenses. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives, which is estimated at 5-10 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Derecognition of intangible assets: An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Impairment of tangible and intangible assets other than goodwill: At the end of each reporting period, the Organization reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Organization estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Taxation. Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax: The tax currently payable is based on taxable profit for the year. Taxable profit before tax as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Organization's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax: Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with property and equipment and loans to customers. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the assets realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period.
The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from 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.

Current and deferred tax for the year: Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Operating taxes: The Republic of Armenia also has various other taxes, which are assessed on the Organization's activities. These taxes are included as a component of operating expenses in the statement of comprehensive income.

Provisions: Provisions are recognized when the Organization has a present obligation (legal or constructive) as a result of a past event, it is probable that the Organization will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingencies: Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Foreign currencies: In preparing the financial statements, transactions in currencies other than the Organization's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting these financial statements, the assets and liabilities of the Organization's operations are translated into USD using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

The exchange rates used by the Organization in the preparation of the financial statements as at year-end are as follows:

	Average Rate		**Spot Rate**	
	2014	**2013**	**December 31, 2014**	**December 31, 2013**
AMD/1 US Dollar	415.75	409.55	474.97	405.64

Collateral: The Organization obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Organization a claim on these assets for both existing and future customer liabilities.

Share capital: Contributions to share capital are recognized at cost. Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any income taxes.

Equity reserves: The reserves recorded in equity (other comprehensive income) on the Organization's statement of financial position is 'Foreign currency translation reserve' which is used to record exchange differences arising from the translation of figures denominated in the functional currency into presentation currency.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Organization's accounting policies the Organization management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty: The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans and receivables: The Organization regularly reviews its loans and receivables to assess for impairment. The Organization's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Organization considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Organization's estimated losses and actual losses would require the Organization to record provisions which could have a material impact on its financial statements in future periods.

The Organization uses a combination of individual assessment and group assessment in determining the allowance for impairment required at any reporting date.

Individual assessment is performed on loans and receivables that are considered individually significant. Loans and receivables with outstanding balance greater than 0.5% of equity capital are considered to be individually significant. The Organization uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers.

Individually significant loans and receivables that are not impaired, as well as all other loans and receivables that have not been individually assessed are then included in the group of loans and receivables that are collectively assessed for impairment. The collectively assessed loans and receivables are grouped based on similar credit risk characteristics and on their past-due status and assessed accordingly. The Organization estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Organization uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data. The collectively assessed methodology strives to ensure the allowance for impairment reflects the loss events that have occurred, but have not yet been identified on an individual basis.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Organization is not in a position to predict what changes in conditions will take place in the Armenia and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at December 31, 2014 and 2013 the gross loans totalled USD 55,794,311 and USD 56,796,675, respectively, and allowance for impairment losses amounted to USD 553,492 and USD 412,403, respectively. Included in loans at

December 31, 2014 and 2013 are restructured loans in the amount of USD 432,538 and USD 871,691 and allowance for impairment of USD 48,938 and USD 3,661 respectively.

Useful lives of property and equipment: Items of property and equipment are stated at cost less accumulated depreciation and less any accumulated depreciation losses. The Organization reviews the estimated useful lives of property and equipment at the end of each annual reporting period. The estimation of the useful life of an item of property and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any one of these conditions or estimates may result in adjustments to future depreciation rates.

Recoverability of deferred tax assets: The management of the Organization has assessed that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely that the deferred tax asset will be fully realized. The carrying value of deferred tax assets amounted to USD 273,470 and USD 414,880 as at December 31, 2014 and 2013, respectively.

Impairment of capital investments in software: The management of the Organization has decided to exclude the Capital investment in software from strategic project's list as the Organization will not have any future economic benefits from the investment and recognized the impairment of capital investment in software in amount of USD 114,566 as at December 31, 2014.

4. Application of new and revised International Financial Reporting Standards (IFRSs)

Amendments to IFRSs affecting amounts reported in the financial statements: In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting;
- IFRIC 21 Levies.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities: The amendments to IFRS 10 introduce an exception from the requirement to consolidate subsidiaries for an investment entity. Instead, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. The exception does not apply to subsidiaries of investment entities that provide services that relate to the investment entity's investment activities.

To qualify as an investment entity, a reporting entity is required to:

- Obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- Commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- Measure and evaluate performance of substantially all of its investments on a fair value basis.

These amendments do not have any effect on the Organization's financial statements as the Organization is not an investment entity.

Amendments to IAS 32 – Offsetting financial assets and financial liabilities: The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.
There is no effect of these amendments on the financial statements as the Organisation does not have any financial assets and financial liabilities that qualify for offset.

Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets: The amendments to IAS 36 restrict the requirement to disclose the recoverable amount of an asset or a cash-generating unit to periods in which an impairment loss has been recognized or reversed. In addition, they expand and clarify the disclosure requirements applicable to when recoverable amount of an asset or a cash-generating unit has been determined on the basis of fair value less costs of disposal. The new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.
These amendments have no effect on the financial statements as the Organisation does not have any financial instruments that qualify for required disclosures.

Amendments to IAS 39 - Novation of derivatives and continuation of hedge accounting: These amendments allow the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. There is no effect of these amendments on these financial statements as the Organisation does not apply hedge accounting.

IFRIC 21 – Levies: The interpretation is applicable to all payments imposed by governments under legislation, other than income taxes that are within the scope of IAS 12 and fines and penalties for breaches of legislation. The interpretation clarifies that a liability to pay a levy should only be recognised when an obligating event has occurred and provides guidance on how to determine whether a liability should be recognized progressively over specific period or in full at a specific date.

There was no effect of the interpretation on these financial statements except for the change in Organization's policy.

The Organization did not early adopt any other standard, amendment or interpretation that has been issued and is not yet effective.

New and revised IFRSs in issue but not yet effective.

The Organization has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Standard	Effective date
• Amendments to IAS 19 - Defined Benefit Plans: Employee contributions • Annual Improvements to IFRSs 2010-2012 Cycle • Annual Improvements to IFRSs 2011-2013 Cycle	Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.
• Annual Improvements to IFRSs 2012-2014 Cycle • IFRS 14 Regulatory Deferral Accounts • Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization • Amendments to IAS 27 - Equity Method in Separate Financial Statements • Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants • Amendments to IFRS 11 - Accounting for Acquisition of Interests in Joint Operations • Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
• IFRS 15 Revenue from Contracts with Customers	Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.
• IFRS 9 Financial Instruments	Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Amendments to IAS 19 - Defined Benefit Plans: Employee contributions: The amendments to IAS 19 Employee Benefits clarify the requirements related to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, amendments permit a practical expedient if the amount of the contributions is independent of the number of years of service, such contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

The Organisation's management does not expect any impact of these amendments on the financial statements as the Organisation does not have any defined benefit plans.

Annual Improvements to IFRSs 2010-2012 Cycle: The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarized below.

The amendments to IFRS 2 change the definition of 'vesting condition' and 'market condition' and add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'.

The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IAS 39 or IFRS 9 or a non-financial asset or liability.

The amendments to IFRS 8 require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments and clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. These amendments are considered to be effective immediately.

The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/ amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to IAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.
The management of the Organization does not anticipate that the application of these amendments will have a significant effect on the financial statements.

The management of the Organisation does not anticipate that the application of these amendments will have a significant effect on the financial statements.

Annual improvements to IFRSs 2011-2013 Cycle: The Annual Improvements to IFRSs 2011-2013 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of a financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether the property meets the definition of investment property in terms of IAS 40, and whether the transaction meets the definition of a business combination under IFRS 3.

The management of the Organization does not anticipate that the application of these amendments will have a significant effect on the financial statements.

Annual improvements to IFRSs 2012-2014 Cycle: The Annual Improvements to IFRSs 2012-2014 Cycle include the following amendments to various IFRSs.

The amendments to IFRS 5 clarify that reclassification of an asset or a disposal Organization from held for sale to held to distribution to owners or vice versa should not be considered changes to a plan of sale or a plan of distribution to owners and that the classification, presentation and measurement requirements applicable to the new method of disposal should be applied. In addition, amendments clarify that assets that no longer meet the criteria for held for distribution to owners and do not meet the criteria for held for sale should be treated in the same way as assets that cease to be classified as held for sale. The amendments should be applied prospectively.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purposes of the disclosures required in relation to transferred assets. In addition, amendments to IFRS 7 were made to clarify that the disclosure requirements on offsetting financial assets and financial liabilities are not explicitly required to be included in the condensed interim financial statements for all interim periods, however, the disclosures may need to be included in condensed interim financial statements to comply with IAS 34. The amendments should be applied retrospectively.

The amendments to IAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are fist applied.

The amendments to IAS 34 clarify that information required by IAS 34 that is provided elsewhere within the interim financial report but outside the interim financial statements should be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The management of the Organization does not anticipate that the application of these amendments will have a significant effect on the financial statements.

IFRS 14 Regulatory Deferral Accounts: IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

The application of IFRS 14 will not have any impact on the Organisation's financial statements in the future as the Organisation is not an IFRS first-time adopter.

Amendments to IAS 27 - Equity Method in Separate Financial Statements: The amendments to IAS 27 allow entities to apply the equity method as one of the option for accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

The management of the Organisation does not expect any impact of these amendments on the financial statements as the Organisation does not have any subsidiary, joint venture and associate.

Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation: The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Organization uses straight-line method for depreciation and amortization of its property, plant and equipment and intangible assets, respectively.

The management of the Organization does not anticipate that the application of these amendments will have a material impact on the Organization's financial statements.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation: The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted when the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Foundation uses straight-line method for depreciation of its property and equipment.

The management of the Organisation does not anticipate that the application of these amendments will have a material impact on the Organisation's financial statements.

Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations: The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation. A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The management of the Organisation does not anticipate that the application of these amendments will have a material impact of the Organisation's financial statements.

Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: The amendments clarify that on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, the extent of any gain or loss recognized depends on whether the assets or subsidiary constitute a business, as defined in IFRS 3. When the assets or subsidiary constitutes a business, any gain or loss in recognized in full; when the assets or subsidiary do not constitute a business, the entity's share of the gain or loss is eliminated.

The management of the Organisation does not anticipate that the application of these amendments will have a material impact on the Organisation's financial statements.

IFRS 15- Revenue from contracts with customers: In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. Specifically, the standard provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts;
- Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The management of the Organization anticipates that the application of IFRS 15 in the future may have a impact on amount and timing of revenue recognition. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until a detailed review has been completed.

IFRS 9 - Financial instruments: IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. In July 2014 IASB issued a finalised version of IFRS 9 mainly introducing impairment requirements for financial assets and limited amendments to the classification and measurement requirements for financial assets. IFRS 9 is aiming at replacing IAS 39: Financial Instruments: Recognition and Measurement.

The key requirements of IFRS 9 are:

- **Classification and measurement of financial assets.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Specifically, debt instruments that are held within the business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost after initial recognition. The 2014 version of IFRS 9 introduces a 'fair

value through other comprehensive income' category for debt instruments held within the business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding which are measured at fair value through other comprehensive income after initial recognition. All other debt and equity investments are measured at their fair values. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- **Classification and measurement of financial liabilities.** Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- **Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before a credit loss is recognized.
- **Hedge accounting.** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principal of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.
- **Derecognition.** The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39.

The standard is effective from 1 January 2018 with early application permitted. Depending on the chosen approach to applying IFRS 9, the transition can involve one or more than one date of initial application for different requirements.

The management of the Organization anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Organization's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

5. Cash and cash equivalents

In USD	**December 31, 2014**	**December 31, 2013**
Cash on hand	990,482	919,880
Accounts with banks	4,490,216	163,334
Placements with banks with original maturities of less than three months	115,841	2,699,376
Total cash and cash equivalents	**5,596,539**	**3,782,590**

As at December 31, 2014 and 2013 accrued interest included in cash and cash equivalents amounted to USD 23 and USD 2,130 respectively.

As at December 31, 2014 the Organization had funds with two resident commercial banks (December 31 2013: one bank) whose balances exceeds 10% of equity. The carrying amount of these balances as at December 31, 2014 is USD 3,643,050 (December 31, 2013: USD 2,375,774).

6. Loans to customers

In USD	December 31, 2014	December 31, 2013
Loans to customers	55,794,311	56,796,675
Less: allowance for impairment losses	(553,492)	(412,403)
Total loans to customers	**55,240,819**	**56,384,272**

Loans to customers per products are presented below:

In USD	December 31, 2014	December 31, 2013
Individual loans	36,127,423	27,509,083
Rural loans	11,781,906	19,256,158
Group loans*	7,884,982	10,031,434
Gross loans to customers	**55,794,311**	**56,796,675**
Less: allowance for impairment losses	(553,492)	(412,403)
Total loans to customers	**55,240,819**	**56,384,272**

*Group loans include Group Rural and Solidary Credit Group loans. The main characteristic of these loans is that, they can be issued only to the group of individuals who agree to be legally obliged to cover other partners' inability to pay should the need arise.

Loans to customers per industry groups are presented below:

In USD	December 31, 2014	December 31, 2013
Agriculture	18,977,697	19,510,495
Trade	18,395,107	19,389,222
Production	5,100,591	4,764,399
Transport	3,177,115	2,942,607
Construction	1,653,443	1,385,034
Other	8,490,358	8,804,918
Gross loans to customers	**55,794,311**	**56,796,675**
Less: allowance for impairment losses	(553,492)	(412,403)
Total loans to customers	**55,240,819**	**56,384,272**

The analysis of changes for loan impairment is presented in the table below:

In USD	Agriculture	Trade	Production	Transport	Construction	Other	Total
January 1, 2013	**70,103**	**80,864**	**18,096**	**8,947**	**4,477**	**28,361**	**210,848**
Additional provisions recognized	88,890	411,566	47,774	37,820	10,424	83,013	**679,487**
Written off loans	(104,629)	(410,172)	(48,106)	(38,994)	(10,636)	(103,142)	**(715,679)**
Recovery of loans previously written off	51,847	98,279	24,473	10,575	5,504	46,207	**236,885**
Effects of foreign currency exchange difference	(8)	550	140	45	28	107	**862**
December 31, 2013	**106,203**	**181,087**	**42,377**	**18,393**	**9,797**	**54,546**	**412,403**
Additional provisions recognized	271,619	416,072	109,794	50,198	16,140	97,040	960,863
Written off loans	(278,259)	(574,728)	(148,190)	(60,760)	(21,005)	(153,806)	(1,236,748)
Recovery of loans previously written off	136,291	201,258	48,640	22,456	10,850	86,348	505,843
Effects of foreign currency exchange difference	(31,666)	(31,744)	(7,462)	(4,167)	(2,177)	(11,653)	(88,869)
December 31, 2014	**204,188**	**191,945**	**45,159**	**26,120**	**13,605**	**72,475**	**553,492**

The table below summarizes carrying value of loans to customers analysed by type of collateral obtained by the Organization at December 31, 2014 and 2013.

In USD	Agriculture	Trade	Production	Transport	Construction	Other	Total
Loans collateralized by pledge of real estate	171,758	2,016,408	799,035	19,593	-	190,036	**3,196,830**
Loans collateralized by movable property	80,786	8,324,268	1,685,336	391,812	28,269	1,315,487	**11,825,958**
Loans collateralized by personal guarantees of individuals	18,725,153	8,054,431	2,616,220	2,765,710	1,625,174	6,984,835	**40,771,523**
	18,977,697	**18,395,107**	**5,100,591**	**3,177,115**	**1,653,443**	**8,490,358**	**55,794,311**
Less: allowance for impairment losses	(204,188)	(191,945)	(45,159)	(26,120)	(13,605)	(72,475)	**(553,492)**
Total loans to customers at December 31, 2014	**18,773,509**	**18,203,162**	**5,055,432**	**3,150,995**	**1,639,838**	**8,417,883**	**55,240,819**
Loans collateralized by pledge of real estate	10,795	1,269,761	260,995	-	-	130,746	**1,672,297**
Loans collateralized by movable property	78,117	10,419,471	2,114,226	310,914	28,229	1,512,147	**14,463,104**
Loans collateralized by personal guarantees of individuals	19,421,583	7,699,990	2,389,178	2,631,693	1,356,805	7,162,025	**40,661,274**
	19,510,495	**19,389,222**	**4,764,399**	**2,942,607**	**1,385,034**	**8,804,918**	**56,796,675**
Less: allowance for impairment losses	(106,203)	(181,087)	(42,377)	(18,393)	(9,797)	(54,546)	**(412,403)**
Total loans to customers at December 31, 2013	**19,404,292**	**19,208,135**	**4,722,022**	**2,924,214**	**1,375,237**	**8,750,372**	**56,384,272**

As at December 31, 2014 and 2013 all loans to customers (100% of total portfolio) are granted to individuals and companies operating in Republic of Armenia, which represents a significant geographical concentration in one region.

Analysis by credit quality of loans outstanding at December 31, 2014 is as follows:

In USD	**Gross loans**	**Provision for impairment**	**Net loans**	**Provision for impairment to gross loans**
Collectively assessed				
Not overdue	55,017,632	293,353	54,724,279	0.53%
Overdue:				
- 1 to 30 days overdue	236,032	27,286	208,746	11.56%
- 31 to 60 days overdue	154,101	39,373	114,728	25.55%
- 61 to 90 days overdue	109,127	40,289	68,838	36.92%
- 91 to 180 days overdue	277,419	153,191	124,228	55.22%
Total loans to customers	**55,794,311**	**553,492**	**55,240,819**	**0.99%**

Analysis by credit quality of loans outstanding at December 31, 2013 is as follows:

In USD	**Gross loans**	**Provision for impairment**	**Net loans**	**Provision for impairment to gross loans**
Collectively assessed				
Not overdue	56,196,002	236,026	55,959,976	0.42%
Overdue:				
- 1 to 30 days overdue	245,119	27,036	218,083	11.03%
- 31 to 60 days overdue	104,923	25,653	79,270	24.45%
- 61 to 90 days overdue	48,804	17,022	31,782	34.88%
- 91 to 180 days overdue	201,827	106,666	95,161	52.85%
Total loans to customers	**56,796,675**	**412,403**	**56,384,272**	**0.73%**

As at Dcember 31, 2014 and 2013 the Organisation did not have individually significant borrowers.

During 2013 the Organization restructured loans to farmer borrowers from Armavir region due to bad weather conditions (destructive hail) experienced in the region. Total of 505 agricultural loans (December 31, 2013: 641) for a total amount of USD 418,843 (December 31, 2013: USD 871,691) with impairment allowance of USD 48,640 (December 31, 2013: USD 3,661) were restructured due to impacts of bad weather conditions. Restructured terms included granting of grace period till 2015 season. Total restructured loans which include the abovementioned farmer borrowers from Armavir region have carrying value of USD 383,600 as at December 31, 2014 (December 31, 2013: 868,030).

The modification to contractual terms was a temporary modification to the contractual terms of a loan that resulted in the giving up of the right to contractual cash flows over a pre-defined period. With the 2015 season these loans are expected to revert back to the original contractual terms, including the interest rate charges after the modification period. Restructured loans were in line with industry practice and regulatory guidance for the regions impacted by weather conditions.

7. Property and equipment

In USD	Leasehold improvements	Communication devices and computers	Office equipment	Vehicles	Other	Total
At cost						
January 1, 2013	**517,400**	**391,551**	**397,574**	**201,172**	**221,976**	**1,729,673**
Additions	226,768	189,488	122,527	-	133,278	**672,061**
Disposals	-	(34)	(278)	-	-	**(312)**
Transfers	-	61	(330)	(1,814)	2,083	**-**
Foreign currency translation difference	(445)	(162)	(843)	(1,039)	178	**(2,311)**
December 31, 2013	**743,723**	**580,904**	**518,650**	**198,319**	**357,515**	**2,399,111**
Additions	60,604	76,224	158,044	-	134,143	**429,015**
Disposals	(48,498)	(13,272)	(6,711)	-	(13,256)	**(81,737)**
Foreign currency translation difference	(110,068)	(92,642)	(94,574)	(28,948)	(67,256)	**(393,488)**
December 31, 2014	**645,761**	**551,214**	**575,409**	**169,371**	**411,146**	**2,352,901**
Accumulated depreciation						
January 1, 2013	**134,141**	**253,694**	**148,102**	**74,171**	**84,253**	**694,361**
Depreciation charge	66,173	120,254	82,748	37,380	69,032	**375,587**
Disposals	-	(34)	(278)	-	-	**(312)**
Foreign currency translation difference	(48)	(68)	(117)	(16)	336	**87**
December 31, 2013	**200,266**	**373,846**	**230,455**	**111,535**	**153,621**	**1,069,723**
Depreciation charge	71,759	114,285	93,377	28,438	71,130	**378,989**
Disposals	(24,327)	(13,272)	(5,862)	-	(11,687)	**(55,148)**
Foreign currency translation difference	(35,786)	(67,111)	(43,910)	(19,826)	(29,888)	**(196,521)**
December 31, 2014	**211,912**	**407,748**	**274,060**	**120,147**	**183,176**	**1,197,043**
Net book value						
As at December 31, 2014	**433,849**	**143,466**	**301,349**	**49,224**	**227,970**	**1,155,858**
As at December 31, 2013	**543,457**	**207,058**	**288,195**	**86,784**	**203,894**	**1,329,388**
As at January 1, 2013	**383,259**	**137,857**	**249,472**	**127,001**	**137,723**	**1,035,312**

As at December 31, 2014 and 2013 the cost of fully depreciated assets that are still in use comprised USD 442,615 and USD 364,052 respectively.

The Organization did not have any pledged property and equipment as at December 31, 2014 and 2013.

8. Intangible assets

In USD	Software	Capital investments in software	Total
At cost			
January 1, 2013	**145,335**	**121,955**	**267,290**
Additions	116,794	-	**116,794**
Transfers	3,877	(3,877)	**-**
Foreign currency translation difference	425	(656)	**(231)**
December 31, 2013	**266,431**	**117,422**	**383,853**
Additions	203,144	-	**203,144**
Write off	-	(114,566)	**(114,566)**
Foreign currency translation difference	(64,219)	(2,856)	**(67,075)**
December 31, 2014	**405,356**	**-**	**405,356**
Accumulated amortisation			
January 1, 2013	**30,415**	**-**	**30,415**
Amortization charge	24,984	-	**24,984**
Foreign currency translation difference	89	-	**89**
December 31, 2013	**55,488**	**-**	**55,488**
Amortization charge	48,469	-	**48,469**
Foreign currency translation difference	(14,143)	-	**(14,143)**
December 31, 2014	**89,814**	**-**	**89,814**
Net book value			
As at December 31, 2014	**315,542**	**-**	**315,542**
As at December 31, 2013	**210,943**	**117,422**	**328,365**
As at January 1, 2013	**114,920**	**121,955**	**236,875**

Capital investments in software represent banking software purchased in 2010 as part of the Organisations preparation to transform to a bank. The Organisation assessed that the capital investments in software will no longer be put into use and the asset was impaired.

9. Other assets

In USD	December 31, 2014	December 31,2013
Prepayments	159,191	198,612
Inventory	19,610	31,170
Prepayments to suppliers	17,108	21,179
Advances to employees	1,015	8,005
Other	10,935	12,797
	207,859	**271,763**

10. Borrowed funds

In USD	Currency	Maturity	Nominal interest rate, %	December 31, 2014	Nominal interest rate. %	December 31, 2013
Loans from banks and financial institutions	USD	2-3 years	5.6%-6.5%	21,871,019	5.5% - 6.5%	29,134,760
Loans from banks and financial institutions	AMD	1-4 years	10.7%-15.5%	25,472,533	11.7% - 15.5%	17,588,586
				47,343,552		**46,723,346**

As at December 31, 2014 the Organization has borrowings from ten financial institutions (December 31 2013: eight financial institutions) whose balances each exceed 10% of equity. The gross value of these balances as at December 31, 2014 is USD 46,838,664 (December 31 2013: USD 46,723,346). These liabilities are measured at amortized cost.

The Organization is obligated to comply with financial covenants in relation to borrowed funds. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Organization has not

breached any of these covenants during the year ended December 31, 2014. As at December 31, 2013 the Organisation was in breach of one financial performance related ratio (ROA), which was waived by the lendors.

11. Other liabilities

In USD	December 31, 2014	December 31, 2013
Other financial liabilities		
Payables for services	161,901	270,363
Payables to employees	71,583	125,251
Other	2,468	525
	235,952	**396,139**
Other non-financial liabilities		
Vacation reserve	331,000	365,573
Taxes payable, other than on income tax	200,985	286,032
Other	1,189	-
	533,174	**651,605**
Total other liabilities	**769,126**	**1,047,744**

12. Subordinated debt

In 2009 the Organization received subordinated loan from FINCA Microfinance Fund B.V. in the amount of USD 2,500,000. The FINCA Microfinance Fund B.V. is owned by a Dutch Foundation called “Stichting Holding Microfinance Fund”, the founder of which is Deutsche Bank. The loan is provided for 7 years with effective interest rate of 14.98%.

As at December 31, 2014 subordinated debt amounted to USD 2,540,883 (December 31, 2013: USD 2,536,653) and included accrued interest of USD 49,995 (December 31, 2013: USD 49,113).

In the event of bankruptcy or liquidation of the Organization, repayment of this debt is subordinate to the repayments of the Organization’s liabilities to all other creditors.

The Organization is obligated to comply with financial covenants in relation to subordinated debt. These covenants include stipulated ratios: debt to equity and various other financial performance ratios. The Organization has not breached any of these covenants during the years ended December 31, 2014. As at December 31, 2013 the Organisation was in breach of one financial performance related ratio (ROA), which was waived by the lendors.

13. Equity

As at December 31, 2014 and 2013 Organization’s registered, issued, outstanding and fully paid share capital consisted of 490,596 and 449,171 ordinary shares respectively with par value of AMD 10,000 each. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Organization.

In April 2014 the shareholders approved the increase of the charter capital by means of additional issue of 41,425 shares for a total contribution of USD 1,000,000.

The share capital of the Organization was contributed by the shareholders in AMD and they are entitled to dividends and any capital distribution in AMD.

The Organization’s distributable reserves among shareholders are limited to the amount of its accumulated retained earnings as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations. The reserve fund of the Organization is formed by compulsory annual deductions in the amount of 5% from net profits of the Organization until the fund reaches 15% of its Share capital. The reserve fund may be used to cover losses of the Organization, as well as for retirement of debentures and redemption of stock of the Organization in the event that no other funds are available. The reserve fund shall not be used for any other purposes.

In 2014 the Organization did not declare dividends in respect of the year end December 31, 2014 (December 31, 2013: AMD 296,066 thousand, equivalent to USD 722,236).

14. Net interest income

In USD	2014	2013
Interest income:		
Interest income on financial assets recorded at amortized cost		
- loans to customers	18,264,678	14,850,912
- cash and cash equivalents	98,793	165,560
	18,363,471	15,016,472
Interest income on financial instruments at fair value through profit or loss	9,999	8,577
Total interest income	**18,373,470**	**15,025,049**
Interest expense:		
Interest expense on financial liabilities recorded at amortized cost		
- borrowed funds	5,356,767	4,486,629
- subordinated debt	341,188	339,954
	5,697,955	4,826,583
Interest expense on financial instruments at fair value through profit or loss	35,789	68,438
Total interest expense	**5,733,744**	**4,895,021**
Net interest income before impairment losses on interest bearing assets	**12,639,726**	**10,130,028**

15. Net gain on foreign exchange operations

In USD	2014	2013
Dealing, net	35,699	18,591
FX (loss)/gain, net	(73,626)	8,180
Total net (loss)/gain on foreign exchange operations	**(37,927)**	**26,771**

16. Staff costs

In USD	2014	2013
Salaries, bonuses and other employee benefits	5,615,353	5,507,448
Training costs	17,489	22,893
Total staff cost	**5,632,842**	**5,530,341**

17. Other operating expenses

In USD	2014	2013
Royalty and management fee	1,457,287	1,551,010
Taxes, other than income tax	719,800	657,107
Operating leases	310,100	330,704
Property and equipment maintenance	304,770	228,163
Insurance	245,333	105,018
Security expenses	128,654	88,067
Impairment of intangible assets	114,566	-
Office supplies	112,279	116,208
Professional services	107,976	73,141
Utilities	93,145	71,325
Communications	81,335	86,217
Representative expenses	68,714	59,702
Business trip expenses	66,600	137,771
Disposal of property and equipment	26,583	-
Advertising cost	12,493	43,055
Other expenses	160,479	65,055
Total other operating expenses	**4,010,114**	**3,612,543**

In 2013 the Organization introduced a new insurance policy for borrower death. Previously, in the case of borrower death the loan was grandfathered.

18. Income tax

The Organization measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Armenia, which differ from IFRS.
The Organization is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at December 31, 2014 and 2013 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax – book bases' differences for certain assets.

The tax rate used for reconciliations below is the corporate tax rate of 20% payable by corporate entities in the Republic of Armenia on taxable profits (as defined) under tax law of the Republic of Armenia.

Temporary differences as at December 31, 2014 and 2013 comprise:

In USD	**December 31, 2014**	**December 31, 2013**
Deferred tax assets/ (liabilities) in relation to:		
Placements with banks with original maturities of less than three months	(232)	(6,119)
Loans to customers	248,435	324,504
Property and equipment	(4,859)	-
Intangible asset	(827)	-
Other assets	(9,382)	-
Borrowed funds	(37,263)	(21,798)
Other liabilities	77,598	118,293
Net deferred tax asset	**273,470**	**414,880**

	2014	**2013**
Profit/ (loss) before income tax	**1,718,864**	**(128,826)**
Tax at the statutory tax rate (20%)	343,773	(25,765)
Tax effect of permanent differences	2,211	(5,836)
Income tax expense/ (benefit)	**345,984**	**(31,601)**
Current income tax expense	253,616	371,529
Deferred tax expense/ (benefit) recognized in the current year	92,368	(403,130)
Income tax expense/ (benefit)	**345,984**	**(31,601)**

Deferred income tax assets/ (liabilities)	**December 31, 2014**	**December 31, 2013**
As at January 1 – deferred tax assets	414,880	7,904
Changes in deferred tax balances recognized in profit or loss	(92,368)	403,130
Effect of foreign currency exchange difference	(49,042)	3,846
As at December 31- deferred tax assets	**273,470**	**414,880**

19. Financial assets at fair value through profit or loss

The Organization has entered into various currency swaps. Such derivative financial instruments are subsequently measured at fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when the fair value is negative.

In USD	**Fair Value**		**Notional amount**		**Weighted average exchange rates**	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
Buy AMD Sell USD						
- less than 1 month	222,119	-	1,761,795	-	418.40	-
Buy EUR Sell USD						
- less than 1 month	1,190	-	60,790	-	1.24	-
Total derivative financial instruments held for trading	**223,309**	**-**	**1,822,585**	**-**		

None of these financial assets is either past due or impaired. The maximum exposure to credit risk at the reporting date is the fair value of the financial assets at fair value through profit or loss in the balance sheet.

20. Commitments and contingencies

In the normal course of business, the Organization is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position. The Organization's uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The Organization has no provision for losses on contingent liabilities as at December 31, 2014 and 2013.

Capital commitments: The Organization had no capital commitments in respect of intangible assets as at December 31, 2014, (December 31, 2013: USD 64,165).

Operating lease commitments: the Organization leases a number of offices under operating leases. The leases typically run for a period of 3-5 years. Lease payments are increased every 2-3 years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in a local price index.

Where the Organization is the lessee, the future minimum lease payments under non-cancellable operating leases of rented offices are as follows:

In USD	December 31, 2014	December 31, 2013
Less than 1 year	671,826	757,645
Later than 1 year and not later than 5 years	1,657,599	2,193,129
Later than 5 years	212,219	624,026
Total operating lease commitments	**2,541,644**	**3,574,800**

Legal proceeding: In the ordinary course of business, the Organization is subject to legal actions and complaints. Management believes that the ultimate liability arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Organization. No provision has been made in these financial statements in these aspects.

Taxation: Commercial legislation of the Republic of Armenia, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Organization's business activities, was to be challenged by the tax authorities, the Organization may be assessed additional taxes, penalties and interest. Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit.

Operating environment: Emerging markets such as Armenia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Armenia continue to change rapidly tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Armenia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Armenia continues to undergo political and economic changes. As an emerging market, Armenia does not possess a developed business and regulatory infrastructure that generally exists in a more mature free market economy. In addition, economic conditions continue to limit the volume of activity in the financial markets, which may not be reflective of the values for financial instruments. The main obstacle to further economic development is a low level of economic and institutional development, along with a centralized economic base, regional instability and international economic crisis.

Devaluation of AMD started at the end of November 2014 and continued during December 2014. The devaluation of Armenian Dram depends on a number of factors, such as global economic development, in the first place the impact of growth in the United States that has increased the value of US dollar against the currencies of developing and developed countries. The CIS countries were multiplied by geopolitical problems and the fall in oil prices. These factors have led to a sharp reduction in economic growth in Russia and the devaluation of its national currency. This in turn increased the pressure across the CIS region, reflected in the reduction of dollar inflows from exports and remittances.

Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Republic of Armenia's economy, may adversely affect the Organization's access to capital and cost of capital for the Organization and, more generally, its business, results of operations, financial condition and prospects. Moreover, there are still uncertainties about the economic situation of countries,

collaborating with Armenia, due to the forecasted slowdown in the world economy, which may lead to the shortage of money transfers from abroad, as well as to the decline in the prices of mining products, upon which the economy of Armenia is significantly dependant. In times of more severe market stress the situation of Armenian economy and of the Organization may be exposed to deterioration. However, as the number of variables and assumptions involved in these uncertainties is large, management cannot make a reliable estimate of the amounts by which the carrying amounts of assets and liabilities of the Organization may be affected.

The financial statements of the Organisation do not include the effects of adjustments, if any, which might have been considered necessary, had the effects of the factors described above become observable and reliably measurable in Armenia.

21. Transactions with related parties

In USD	Note	December 31, 2014		December 31, 2013	
		Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Other liabilities	**12**				
- the parent		31,911	769,126	158,722	1,047,744

In USD	Note	December 31, 2014		December 31, 2013	
		Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Other operating expenses	**18**				
- the parent (royalty and management fees)		1,457,287	4,010,114	1,551,010	3,612,541
- other related parties (IT and other services)		113,272	4,010,114	56,709	3,612,541

In USD	Note	December 31, 2014		December 31, 2013	
		Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Key management personnel compensation:	**17**				
Short-term employee benefits		403,767	5,632,842	702,574	5,530,341

As of December 31, 2014, the Company's key management personnel comprised of 3 positions (December 31, 2013 - 5). Should the same five positions be considered as key management personnel for 2014, the remuneration to key management personnel would amount to USD 464,539.

22. Fair value of financial instruments

IFRS defines fair value as 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. The estimates presented herein are not necessarily indicative of the amounts the Organization could realize in a market exchange from the sale of its full holdings of a particular instrument.

However, judgment is required to interpret market data to determine the estimated fair value. Republic of Armenia continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Fair value of the Organisation's financial assets and financial liabilities measured at fair value on a recurring basis: Some of the Organisation's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at December 31, 2014 in USD	Fair value as at December 31, 2013 in USD	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets at fair value through profit or loss: - currency swaps	223,309	-	Level 3	Discounted cash flows. Future cash flows are estimated based on forward exchange rates and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	Forward exchange rates, determined using a combination of purchasing power parity and interest rate parity and	The higher the forward exchange rates the higher the fair value.

The reconciliation of Level 3 fair value measurements of financial assets is presented as follows:

in USD	Financial assets at fair value through profit or loss	Total
January 1, 2014	**-**	**-**
Total gains or losses:		
- in profit or loss	247,007	247,007
Settlements	8,111	8,111
Foreign currency translation difference	(31,809)	(31,809)
December 31, 2014	**223,309**	**223,309**

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis: Because of the short term nature of most financial assets and financial liabilities, management believes that their carrying amounts approximate their fair values. For certain other financial assets and financial liabilities, management uses discounted cash flows to estimate fair value. Interest rates used to discount these estimated cash flows are based on the government bond yield curve at the reporting date plus currency, maturity of the instrument and credit risk of the counterparty.

23. Capital risk management

The Organization manages its capital to ensure that the Organization will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balances.

The CBA sets and monitors capital requirements for the Organisation. Under the current capital requirements set by the CBA, universal credit organizations as at December 31, 2014 have to maintain a minimum share capital of AMD 150,000 thousand, equivalent to USD 315,809 (December 31 2013: AMD 150,000 thousand).

As per CBA regulatory requirement which became effective in 2011, credit organisations conducting foreign exchange transactions in cash other than for the purpose of accepting loan repayments; have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. In 2013 the Organisation changed its charter so that it has the right to conduct foreign exchange cash transactions as a separate activity, thus the Organisation has to measure and comply with this statutory capital requirements and capital ratio. As at December 31, 2014, total capital requirements was AMD 600,000 thousand, equivalent to USD 1,263,238 (December 31, 2013: AMD 600,000 thousand) and minimum capital ratio level was 10% (December 31, 2013: 10%).

The calculation of statutory capital ratio based on requirements set by the Central Bank of Armenia is as follows:

In USD	December 31, 2014 Unaudited	December 31, 2013 Unaudited
Primary capital	11,530,387	11,522,185
Additional capital	-	-
Total capital	**11,530,387**	**11,522,185**
Risk weighted assets	**56,639,325**	**54,978,910**
Statutory capital ratio (%)	**20%**	**21%**
Minimum required statutory capital ratios	**10%**	**10%**
Compliance with the minimum share capital and total capital requirements	**No breaches during the year ended December 31, 2014**	**No breaches during the year ended December 31, 2013**

The Management Board reviews the capital structure on a semi-annual basis. The adequacy of the Organization's capital is set and monitored using the ratios established by CBA. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Organization balances its overall capital structure through payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. In addition the Organization manages its capital in order to meet covenant requirements.

24. Risk management

Management of risk is fundamental to the Organization's business and is an essential element of the Organization's operations. The main risks inherent to the Organization's operations are those related to:

- credit exposures;
- liquidity risk;
- market risk.

The Organization recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Organization has established a risk management framework, whose main purpose is to protect the Organization from risk and allow it to achieve its performance objectives.

The Board of Directors has overall responsibility for the determination of the Organization's risk management objectives, policies and oversight of the Organization's risk management framework. The overall objective of the Board of Directors is to set polices that seek to reduce risks as far as possible without unduly affecting the Organization's competitiveness and flexibility. Whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Organization.

The Organization's risk management policies are established to identify and analyse the risks faced by the Organization, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Organization, through its training and management standards and procedures, aim to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). ALCO is responsible for developing, monitoring risk management policies and exercising control over the risk in the legislation and regulatory arena and assesses its influence on the Organization's activity. This approach allows the Organization to minimize potential losses from the investment climate fluctuations in the Republic of Armenia.

Credit risk

The Organization is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The main business of the Organization is to provide micro-loans. Respectively credit risk is of crucial importance in the Micro Financing Organisation risk management. To avoid significant financial damage caused by this the Organization uses various methods to identify and manage effectively the credit risks.

The Microfinance industry is generally exposed to credit risk through its loans to customers and bank deposits. With regard to the loans to customers this risk exposure is concentrated within the Republic of Armenia. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Organization's risk management policy are not breached.

Risk management and monitoring is performed within set limits of authority. These processes are performed by the Credit Committees and the Organization's Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the Credit Department. Daily risk management is performed by the Head of Credit Departments and Internal Control Departments.

The Organization's credit policy is determined by the Credit Manual, where all the related procedures and requirements, along with respective controls are clearly defined, including loan disbursement, monitoring of delinquent loans, etc.

The Credit Committee is the analytical body responsible for analysing the information in the loan applications, assessing and reducing the credit risks as far as possible. The Credit Committee is the independent body within the Organization authorized to make the final decision about financing or rejecting the loan application.

Accuracy and correctness of information presented to the Credit Committee is the responsibility of the credit officer, who fills in the initial application after the due scrutiny of the applicant's business and its credit risks. Eventually the Credit Committee members assess the application against the established criteria (applicant's credit history, financial condition, competitive ability, etc.).

Each branch is required to implement Organization's credit policies and procedures, with credit approval authorities delegated from the Organisation's Credit Committee. Each branch manager reports on all credit related matters to management and the Credit Committee. Each branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolio. Internal Audit undertakes regular audits of branches and Organization's credit processes.

The Organization's credit department reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers it to be appropriate to provide ageing and other information about credit risk.

The Organization structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry and geographical segments. Limits on the level of credit risk by a borrower and a product (by industry sector, by region) are approved monthly by the Management Board. The exposure to any one borrower is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily to ensure that the credit limits and credit worthiness guidelines established by the Organization's risk management policy are not breached.

Where appropriate, and in the case of most loans, the Organization obtains collateral and personal guarantee. However, a significant portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and are subject to annual or more frequent reviews.

Loans with restructured terms: Loans with restructured terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Organization has made concessions that it would not otherwise consider. Once the loan is restructured, it remains in this category independent of satisfactory performance after restructuring.

The table below shows the carrying amount of restructured financial assets:

In USD	**December 31, 2014**	**December 31, 2013**
Loans to customers, net of allowance for impairment losses	383,600	868,030

Allowances for impairment: The Organization establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main component of this allowance is a collective loan loss allowance established for the Organization; homogeneous assets in respect of losses that have been incurred but not been identified on loans.

Maximum exposure of credit risk: The Organization's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet financial assets. For the financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral.

In USD	**December 31, 2014**	**December 31, 2013**
Cash and cash equivalents	4,606,057	2,862,710
Financial assets at fair value through profit or loss	223,309	-
Loans to customers	55,240,819	56,384,272
	60,070,185	**59,246,982**

Above carrying amounts best represent the maximum exposure to credit risk also when taking into account of any collateral held or personal guarantees obtained. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to note 7.

Off-balance sheet risk: The Organization applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks.

Geographical concentration: The geographical concentration of the Organization's assets and liabilities as at December 31, 2014 is set out below:

In USD	Republic of Armenia	OECD countries	Total
Non-derivative financial assets			
Cash and cash equivalents	5,596,539	-	**5,596,539**
Loans to customers	55,240,819	-	**55,240,819**
Total non-derivative financial assets	**60,837,358**	**-**	**60,837,358**
Non-derivative financial liabilities			
Borrowed funds	-	47,343,552	**47,343,552**
Other financial liabilities	235,952	-	**235,952**
Subordinated debt	-	2,540,883	**2,540,883**
Total non-derivative financial liabilities	**235,952**	**49,884,435**	**50,120,387**
Net position on non-derivative financial instruments	**60,601,406**	**(49,884,435)**	**10,716,971**
Gross settled - currency swaps	223,309	-	**223,309**
Net position	**60,824,715**	**(49,884,435)**	**10,940,280**

The geographical concentration of the Organization's assets and liabilities as at December 31, 2013 is set out below:

In USD	Republic of Armenia	OECD countries	Total
Non-derivative financial assets			
Cash and cash equivalents	3,782,590	-	**3,782,590**
Loans to customers	56,384,272	-	**56,384,272**
Total non-derivative financial assets	**60,166,862**	**-**	**60,166,862**
Non-derivative financial liabilities			
Borrowed funds	-	46,723,346	**46,723,346**
Other financial liabilities	396,139	-	**396,139**
Subordinated debt	-	2,536,653	**2,536,653**
Total non-derivative financial liabilities	**396,139**	**49,259,999**	**49,656,138**
Net position	**59,770,723**	**(49,259,999)**	**10,510,724**

The Organization enters into numerous transactions where the counterparties that are not rated by international rating agencies. The Organization has developed internal models, which allow it to determine the creditability of counterparties.

Liquidity risk

Liquidity risk management: Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Organization's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organization's reputation.

The ALCO controls these types of risks by means of maturity analysis and determining the Organization's strategy for the next financial period. In order to manage liquidity risk, the Organization performs daily monitoring of future expected cash flows on clients' operations, which is a part of assets/liabilities management process. Current liquidity is managed by Treasurer, so Treasury maintains a portfolio of short-term liquid assets, largely made up of short-term deposits, to ensure that sufficient liquidity is maintained for current liquidity support and cash flow optimization.

An analysis of liquidity and interest rate risk is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the Organization

In USD	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	December 31, 2014 Total
Non-derivative financial assets						
Fixed interest rate instruments						
Cash and cash equivalents	7.04%	4,606,057	-	-	-	**4,606,057**
Loans to customers	32.73%	1,564,034	6,839,148	27,677,607	19,160,030	**55,240,819**
Total fixed interest bearing financial assets		**6,170,091**	**6,839,148**	**27,677,607**	**19,160,030**	**59,846,876**
Non-interest bearing financial assets						
Cash and cash equivalents		990,482	-	-	-	**990,482**
Total non-interest bearing financial assets		**990,482**	**-**	**-**	**-**	**990,482**
Total non-derivative financial assets		**7,160,573**	**6,839,148**	**27,677,607**	**19,160,030**	**60,837,358**
Non-derivative financial liabilities and commitments						
Fixed interest rate instruments						
Borrowed funds	11.43%	1,600,811	3,805,289	7,705,640	19,384,641	**32,496,381**
Subordinate debt	14.60%	-	-	40,883	2,500,000	**2,540,883**
Total fixed interest bearing financial liabilities		**1,600,811**	**3,805,289**	**7,746,523**	**21,884,641**	**35,037,264**
Variable interest rate instruments						
Borrowed funds	12.27%	14,999	1,381,969	5,042,617	8,407,586	**14,847,171**
Total variable interest bearing financial liabilities		**14,999**	**1,381,969**	**5,042,617**	**8,407,586**	**14,847,171**
Non-interest bearing financial liabilities						
Other financial liabilities		235,952	-	-	-	**235,952**
Total non-interest bearing financial liabilities		**235,952**	**-**	**-**	**-**	**235,952**
Total non-derivative financial liabilities		**1,851,762**	**5,187,258**	**12,789,140**	**30,292,227**	**50,120,387**
Interest sensitivity gap		4,554,281	1,651,890	14,888,467	(11,132,197)	
Cumulative interest sensitivity gap		**4,554,281**	**6,206,171**	**21,094,638**	**9,962,441**	
Derivative financial instruments						
Gross settled currency swaps		-	223,309	-	-	
Liquidity gap		5,308,811	1,875,199	14,888,467	(11,132,197)	
Cumulative liquidity gap		**5,308,811**	**7,184,010**	**22,072,477**	**10,940,280**	

In USD	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	December 31, 2013 Total
Non-derivative financial assets						
Fixed interest rate instruments						
Cash and cash equivalents	7.79%	2,862,710	-	-	-	**2,862,710**
Loans to customers	35.55%	1,167,767	6,790,711	32,296,122	16,129,672	**56,384,272**
Total fixed interest bearing financial assets		**4,030,477**	**6,790,711**	**32,296,122**	**16,129,672**	**59,246,982**
Non-interest bearing financial assets						
Cash and cash equivalents		919,880	-	-	-	**919,880**
Total non-interest bearing financial assets		**919,880**	**-**	**-**	**-**	**919,880**
Total non-derivative financial assets		**4,950,357**	**6,790,711**	**32,296,122**	**16,129,672**	**60,166,862**
Non-derivative financial liabilities and commitments						
Fixed interest rate instruments						
Borrowed funds	10.87%	4,111,032	4,391,162	2,336,865	22,601,665	**33,440,724**
Subordinate debt	14.14%	-	-	36,653	2,500,000	**2,536,653**
Total fixed interest bearing financial liabilities		**4,111,032**	**4,391,162**	**2,373,518**	**25,101,665**	**35,977,377**
Variable interest rate instruments						
Borrowed funds	13.62%	19,177	1,753,893	4,516,349	6,993,203	**13,282,622**
Total variable interest bearing financial liabilities		**19,177**	**1,753,893**	**4,516,349**	**6,993,203**	**13,282,622**
Non-interest bearing financial liabilities						
Other financial liabilities		396,139	-	-	-	**396,139**
Total non-interest bearing financial liabilities		**396,139**	**-**	**-**	**-**	**396,139**
Total non-derivative financial liabilities		**4,526,348**	**6,145,055**	**6,889,867**	**32,094,868**	**49,656,138**
Interest sensitivity gap		(99,732)	645,656	25,406,255	(15,965,196)	
Cumulative interest sensitivity gap		**(99,732)**	**545,924**	**25,952,179**	**9,986,983**	
Liquidity gap		424,009	645,656	25,406,255	(15,965,196)	
Cumulative liquidity gap		**424,009**	**1,069,665**	**26,475,920**	**10,510,724**	

Cumulative liquidity gap: The tables above show the expected maturity analysis of non-derivative financial assets and liabilities at their carrying amounts and based on their contractual maturities. The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period. Impaired loans are included at their carrying amounts net of allowance for impairment and based on the expected timing of cash inflows.

The following tables detail the Organization's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities on the basis of their earliest possible contractual maturity. It is not expected that cash flows included in the table below could occur significantly earlier, or at significantly different amounts. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

In USD	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total	December 31, 2014 Carrying amount
Fixed interest rate instruments						
Borrowed funds	1,854,336	3,985,829	9,348,807	20,725,969	**35,914,941**	**32,496,381**
Subordinate debt	-	-	320,138	2,827,151	**3,147,289**	**2,540,883**
Total fixed interest bearing financial liabilities	**1,854,336**	**3,985,829**	**9,668,945**	**23,553,120**	**39,062,230**	**35,037,264**
Variable interest rate instruments						
Borrowed funds	17,692	1,451,121	6,250,369	9,506,310	**17,225,492**	**14,847,171**
Total variable interest bearing financial liabilities	**17,692**	**1,451,121**	**6,250,369**	**9,506,310**	**17,225,492**	**14,847,171**
Non-interest bearing financial liabilities						
Other financial liabilities	235,952	-	-	-	**235,952**	**235,952**
Total non-interest bearing financial liabilities	**235,952**	**-**	**-**	**-**	**235,952**	**235,952**
Total financial liabilities	**2,107,980**	**5,436,950**	**15,919,314**	**33,059,430**	**56,523,674**	**50,120,387**

In USD	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Total	December 31, 2013 Carrying amount
Fixed interest rate instruments						
Borrowed funds	4,262,393	4,629,625	3,825,237	25,118,477	**37,835,732**	**33,440,724**
Subordinate debt	-	-	320,134	3,147,286	**3,467,420**	**2,536,653**
Total fixed interest bearing financial liabilities	**4,262,393**	**4,629,625**	**4,145,371**	**28,265,763**	**41,303,152**	**35,977,377**
Variable interest rate instruments						
Borrowed funds	22,619	1,908,540	5,577,998	7,958,564	**15,467,721**	**13,282,622**
Total variable interest bearing financial liabilities	**22,619**	**1,908,540**	**5,577,998**	**7,958,564**	**15,467,721**	**13,282,622**
Non-interest bearing financial liabilities						
Other financial liabilities	396,139	**-**	**-**	**-**	**396,139**	**396,139**
Total non-interest bearing financial liabilities	**396,139**	**-**	**-**	**-**	**396,139**	**396,139**
Total financial liabilities	**4,681,151**	**6,538,165**	**9,723,369**	**36,224,327**	**57,167,012**	**49,656,138**

Market risk
Market risk is the risk that the Organization's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices. Market risk covers interest rate risk and currency risk that the Organization is exposed to. There have been no changes as to the way the Organization measures risk or to the risk it is exposed or the manner in which these risks are managed and measured.

Interest rate risk: The Organization's cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in the market interest rates and the fair value interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in the prevailing levels of market interest rates on both the value and cash flow risks.

Interest rate sensitivity: The Organization manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Organization's management conducts monitoring of the Organization's current financial performance, estimates the Organization's sensitivity to changes in fair value interest rates and its influence on the Organization's profitability.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. A 200 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Organisation's profit for the year ended and equity as at December 31, 2014 would increase /decrease by USD 112,232 and (December 31, 2013: decrease /increase by USD 150,840).

Currency Risk: Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Organization is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALCO controls currency risk by management of the open currency position on the estimated basis of USD devaluation and other macroeconomic indicators, which gives the Organization an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasurer performs daily monitoring of the Organization's open currency position.

The Organization's exposure to foreign currency exchange rate risk as at December 31, 2014 is presented in the table below:

In USD	**AMD**	**USD**	**Other**	**Total**
Non-derivative financial assets				
Cash and cash equivalents	1,413,980	3,814,777	367,782	**5,596,539**
Loans to customers	35,444,399	19,796,420	-	**55,240,819**
Total non-derivative financial assets	**36,858,379**	**23,611,197**	**367,782**	**60,837,358**
Non-derivative financial liabilities				
Borrowed funds	25,472,533	21,871,019	-	**47,343,552**
Other financial liabilities	201,581	34,371	-	**235,952**
Subordinated debt	-	2,540,883	-	**2,540,883**
Total non-derivative financial liabilities	**25,674,114**	**24,446,273**	**-**	**50,120,387**
Open balance sheet position	**11,184,265**	**(835,076)**	**367,782**	**10,716,971**
Derivative financial instruments				
Gross settled currency swaps	(1,777,900)	2,062,000	(60,791)	**223,309**
Open position	**9,406,365**	**1,226,924**	**306,991**	**10,940,280**

The Organization's exposure to foreign currency exchange rate risk as at December 31, 2013 is presented in the table below:

In USD	AMD	USD	Other	Total
Non-derivative financial assets				
Cash and cash equivalents	2,260,073	1,272,099	250,418	**3,782,590**
Loans to customers	37,259,706	19,124,566	-	**56,384,272**
Total non-derivative financial assets	**39,519,779**	**20,396,665**	**250,418**	**60,166,862**
Non-derivative financial liabilities				
Borrowed funds	29,134,760	17,588,586	-	**46,723,346**
Other financial liabilities	227,393	165,844	2,902	**396,139**
Subordinated debt	-	2,536,653	-	**2,536,653**
Total non-derivative financial liabilities	**29,362,153**	**20,291,083**	**2,902**	**49,656,138**
Open balance sheet position	**10,157,626**	**105,582**	**247,516**	**10,510,724**

Currency risk sensitivity: The following table details the Organization's sensitivity to a 20% increase and decrease in the AMD against the USD. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit and equity where the AMD strengthens 20% against USD.

In USD	As at December 31, 2014	As at December 31, 2013
Impact on profit or loss	(245,385)	(21,116)
Impact on equity	(245,385)	(21,116)

Limitations of sensitivity analysis: The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Organization's assets and liabilities are actively managed. Additionally, the financial position of the Organization may vary at the time that any actual market movement occurs. For example, the Organization's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Organization's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Price risks: Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Organization is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Organization manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Organization is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Operational risk: Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Organization cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.