armenbrok

ARMENBROK OJSC

Financial Statements and
Independent Auditor's Report
for the Year Ended December 31, 2018

CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

Management is responsible for the preparation of the financial statements that present fairly the financial position of Armenbrok Open Joint Stock Company (the "Company") at December 31, 2018, 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 Company's financial position and financial performance; and
- Making an assessment of the Company'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 Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company 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 Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year ended December 31, 2018 were approved by management on April 29, 2019.

On behalf of the Management:

ARMENBROK
00450096

Aram Kayfajyan
Chief Executive Officer

Siranush Khighatyan
Chief Accountant

April 29, 2019
Yerevan, Republic of Armenia

"Deloitte Armenia" CJSC
Business Center "Imperium Plaza"
4/7, Amiryan St., 7th floor
Yerevan, 0010, Armenia

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of "Armenbrok" Open Joint Stock Company:

Opinion

We have audited the financial statements of "Armenbrok" Closed Joint Stock (the "Company"), which comprise the statement of financial position as at December 31, 2018, 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 notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Srbuhi Hakobyan
Executive Director

Arpine Ghevondyan
Audit Director

«DELOITTE ARMENIA» 02612726

April 29, 2019
Yerevan, Republic of Armenia

Deloitte Armenia CJSC

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2018
In AMD thousands unless otherwise stated

	Notes	December 31, 2018	December 31, 2017
Assets			
Cash and cash equivalents	12	66,121	145,200
Reverse repurchase agreements	19	-	172,965
Financial assets at fair value through profit or loss			
- Held by the Company	13	1,454,568	742,789
- Pledged under repurchase agreements	13, 19	171,643	-
- Pledged under borrowings from financial institutions	13, 20	129,075	58,650
Investment securities			
-Held by the Company	14	684,522	1,113,437
-Pledged under repurchase agreements	14, 19	5,625,060	6,411,627
-Pledged under borrowings from financial institutions	14, 20	599,479	406,725
Investment in associate	15	44,170	34,270
Property, equipment and intangible assets	17	49,132	35,357
Other assets	16	30,848	37,468
Total assets		**8,854,618**	**9,158,488**
Equity	18		
Share capital		267,150	267,150
Share premium		208,011	208,011
Statutory general reserve		79,670	79,670
Investment revaluation reserve		777,520	807,514
Retained earnings		1,027,238	809,041
Total equity		**2,359,589**	**2,171,386**
Liabilities			
Amounts due to financial institutions	20	667,420	471,307
Repurchase agreements	19	5,524,087	6,206,959
Current income tax liabilities		83,912	61,130
Deferred income tax liabilities	10	181,079	201,728
Other liabilities	21	38,531	45,978
Total liabilities		**6,495,029**	**6,987,102**
Total liabilities and equity		**8,854,618**	**9,158,488**

Approved for issuance on April 29, 2019:

Aram Kayfajyan
Chief Executive Officer

Siranush Khlghatyan
Chief Accountant

ARMENBROK

April 29, 2019
Yerevan, Republic of Armenia

Notes on pages 9-43 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

In AMD thousands unless otherwise stated

	Notes	2018	2017
Interest income	6	787,526	911,100
Interest expense	6	(392,247)	(420,503)
Net interest income	6	**395,279**	**490,597**
Fee and commission income	7	194,646	184,531
Fee and commission expense	7	(86,026)	(94,534)
Net fee and commission income	7	**108,620**	**89,997**
Net gain from financial assets at fair value through profit or loss	8	126,383	108,531
Net gain from derecognition of financial assets measured at FVTOCI		140,081	131,682
Administrative expenses	9	(65,969)	(60,279)
Staff costs		(119,212)	(105,629)
Share of profits of associate		9,900	9,270
Net recovery/(charge) of loss allowance	25	11,217	(6,967)
Other income		2,965	3,406
Profit before income tax		**609,264**	**660,608**
Income tax expense	10	(109,118)	(113,545)
Profit for the year		**500,146**	**547,063**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Debt instruments measured at FVTOCI:			
Fair value gain on investments in debt instruments measured at FVTOCI arising during the year		67,909	474,491
Less: Cumulative gain on investments in debt instruments classified as at FVTOCI reclassified to profit or loss upon disposal		(187,417)	(131,682)
Income tax relating to items that may be reclassified subsequently to profit or loss		23,902	(68,562)
Total other comprehensive income for the year, net of income tax		**(95,606)**	**274,247**
Total comprehensive income for the year		**404,540**	**821,310**
Earnings per share			
Basic and diluted	11	1.87	2.05

Notes on pages 9-43 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2018
In AMD thousands unless otherwise stated

	Notes	Share capital	Share premium	Statutory general reserve	Financial assets at fair value through other comprehensive income reserve	Retained earnings	Total
At January 1, 2017		**267,150**	**208,011**	**79,670**	**533,267**	**422,268**	**1,510,366**
Profit for the year		-	-	-	-	547,063	**547,063**
Other comprehensive income for the year, net of income tax		-	-	-	274,247	-	**274,247**
Total comprehensive income for the year		-	-	-	**274,247**	**547,063**	**821,310**
Dividends to shareholders	18	-	-	-	-	(160,290)	**(160,290)**
At December 31, 2017	18	**267,150**	**208,011**	**79,670**	**807,514**	**809,041**	**2,171,386**
At January 1, 2018 (as previously reported)		**267,150**	**208,011**	**79,670**	**807,514**	**809,041**	**2,171,386**
Effect of change in accounting policy for IFRS 9	3	-	-	-	65,612	(68,229)	**(2,617)**
At January 1, 2018 (restated)		**267,150**	**208,011**	**79,670**	**873,126**	**740,812**	**2,168,769**
Profit for the year		-	-	-	-	500,146	**500,146**
Other comprehensive loss for the year, net of income tax		-	-	-	(95,606)	-	**(95,606)**
Total comprehensive income for the year		-	-	-	**(95,606)**	**500,146**	**404,540**
Dividends to shareholders	18	-	-	-	-	(213,720)	**(213,720)**
At December 31, 2018	18	**267,150**	**208,011**	**79,670**	**777,520**	**1,027,238**	**2,359,589**

Notes on pages 9-43 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
In AMD thousands unless otherwise stated

	Notes	December 31, 2018	December 31, 2017
Cash flows from operating activities			
Interest received		842,656	872,490
Interest paid		(390,828)	(416,041)
Fee and commissions received		210,506	211,741
Fee and commissions paid		(94,784)	(92,268)
Net foreign exchange loss		61	-
Other operating income		28,940	515
Salary and other related payments		(81,006)	(68,755)
Other operating expenses paid		-	(87,374)
Cash flows from operating activities before changes in operating assets and liabilities		**515,545**	**420,308**
Changes in operating assets and liabilities			
Decrease/(Increase) in operating assets			
Reverse repurchase agreements		172,473	(458,714)
Financial assets available for sale and at fair value through profit or loss		461,008	116,381
Other assets		-	(10,035)
(Decrease)/Increase in operating liabilities			
Amounts due to financial institutions		(918,552)	239,095
Other liabilities		-	(35,868)
Net cash from operating activities before income tax		**230,474**	**271,167**
Income tax paid		(82,429)	(61,100)
Net cash flows from operating activities		**148,045**	**210,067**
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(21,606)	(9,354)
Dividend income received		-	229
Disposal of property and equipment and intangibles		1,800	-
Net cash flow from other operating activities		7,524	-
Net cash flows used in investing activities		**(12,282)**	**(9,125)**
Cash flows from financing activities			
Dividends paid		(213,720)	(160,290)
Net cash flows used in financing activities		**(213,720)**	**(160,290)**
Net increase in cash and cash equivalents		(77,957)	40,652
Cash and cash equivalents, beginning of the year		145,200	104,514
Effect of exchange rate differences on cash and cash equivalents		103	34
Cash and cash equivalents, end of the year	12	**67,346**	**145,200**

Notes on pages 9-43 form an integral part of these financial statements.

1. REPORTING ENTITY

"Armenbrok" OJSC (the Company), is an investment company regulated by the legislation of RA. The company was registered on 4 November 2008 by the Central Bank of Armenia under license number 10.

As at December 31, 2018 and 2017, the ultimate controlling party of the Company was Aram Kayfajyan.

The Company carries out its activities in the securities and foreign currency markets, in particular:

- securities placements;
- trust management of securities;
- securities brokerage and dealing;
- registrar and depository services;
- consultations on securities market;
- non-cash foreign currency trading operations.

The Company's registered office is Tigran Mets 32/1 Avenue, 0018, Yerevan, Republic of Armenia.

Number of employees as at December 31, 2018 was 21 (December 31, 2017: 20).

Regulatory environment

Government regulators oversee the conduct of the Company's businesses in many ways, and may perform regular examinations to monitor compliance with applicable statutes, regulations and rules. These statutes, regulations and rules cover all aspects of the business, including sales and marketing activities, trading practices, treatment of customer assets, continuing education requirements for employees, anti-money laundering practices, know your client policies, recordkeeping and reporting, and supervision regarding the conduct of directors, officers and employees.

a. Armenian business environment

The Company's operations are conducted in the RA. Consequently, the Company and its assets are exposed to the economic and financial markets of the Republic of Armenia which display characteristics of an emerging market. The legal, currency, tax and regulatory frameworks continue development and are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Armenia.

The assets are primarily based in the Republic of Armenia. Emerging markets such as Armenia are subject to different risks than more developed markets. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Armenia and its economy in general. The Company's assets can be adversely affected by the general environment – economic, corporate, securities market, regulatory, and geopolitical developments all play a role in asset valuations, trading activity, interest rates and overall investor engagement, and are outside of the Company's control. Deterioration in credit markets, reductions in short-term interest rates, and decreases in securities valuations negatively impact the equity of the Company.

The accompanying financial statements reflect management's estimates of the potential effect of the current operating and business environment on the results and financial position. The future business environment may differ from management's estimates.

As investment manager the Company is also subject to regulatory requirements relating to fiduciary duties to clients, performance fees, maintaining an effective compliance program, solicitation arrangements, conflicts of interest, advertising, limitations on agency cross and principal transactions between the advisor and advisory clients, recordkeeping and reporting requirements, disclosure requirements and general anti-fraud provisions.

Financial institutions generally must have anti-money laundering procedures in place, implement specialized employee training programs and designate an anti-money laundering compliance officer. Further, regulatory activity in the areas of privacy and data protection continues to grow worldwide and is generally being driven by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. To the extent they are applicable to the Company; it must comply with these global, federal, and local information-related laws and regulations. Management has established policies, procedures and systems designed to comply with these regulations.

2. STATEMENT OF COMPLIANCE

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRSs).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently throughout the reporting period, unless as indicated below.

New and amended IFRS Standards that are effective for the Company's financial statements for the year ended December 31, 2018

Impact of initial application of IFRS 9 Financial Instruments. In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow Company not to restate comparatives. Corresponding information was not restated, as the modified retrospective approach was applied on transition, which allows recognition of differences to be accounted for in the opening retained earnings at the beginning of the period. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Interest income and expense recognition. Interest income and expense for financial instruments are recognized in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts.

The interest income/interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortized cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

Fee and commission expense. Fee and commission expense include fees other than those that are an integral part of EIR (see above).

Fee and commission expenses with regards to services are accounted for as the services are received.

Financial assets. All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- Debt instruments that are held within a 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 amount outstanding (SPPI), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

Debt instruments at amortized cost or at FVTOCI. The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Company determines the business models at a level that reflects how financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Company has one business model for managing its financial instruments which reflect how the Company manages its financial assets in order to generate cash flows. The Company's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Company considers all relevant information available when making the business model assessment. However, this assessment is not performed on the basis of scenarios that the Company does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios.

The Company takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Company has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss.

Reclassifications. If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

Impairment. The Company recognizes loss allowances for ECLs on the following financial instruments that are not measured at FVTPL:

- Reverse repurchase agreements
- Cash and cash equivalents
- Staff loans;
- Investment securities;
- Other assets.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

The Company measures ECL on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR.

Credit-impaired financial assets. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Company assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Company considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Definition of default. Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Company; or
- The borrower is unlikely to pay its credit obligations to the Company in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account only quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis.

The Company monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Company considers only quantitative information.

Modification and derecognition of financial assets. A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is modified the Company assesses whether this modification results in derecognition. In accordance with the Company's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Company considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

If these do not clearly indicate a substantial modification, then:

- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest.

If the difference in present value is greater than 10% the Company deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification. The Company monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Company determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Company's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Company's ability to collect the modified cash flows taking into account the Company's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Company calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Company measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Company derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company 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/loss allocated to it that had been recognized in OCI is recognized in profit or loss. A cumulative gain/loss that had been recognized in OCI 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. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Write-off. Loans and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains.

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

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVTOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve;

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

Financial liabilities at FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) 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 Company 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 or contingent consideration that may be paid by an acquirer as part of a business combination 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 Company 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 Company documented risk management or investment strategy, and information about the Companying is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'net income from other financial instruments at FVTPL' line item in the profit or loss account.

However, for non-derivative financial liabilities that are designated as at FVTPL, 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 recognized in OCI, 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. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

In making the determination of whether recognizing changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Company assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

<u>Other financial liabilities</u>. Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

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. For details on EIR see the "net interest income section" above.

<u>Derecognition of financial liabilities</u>. The Company derecognizes financial liabilities when, and only when, the Company obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Effect of transition. The following table shows the transition IAS 39 and corresponding IFRS 9 classification and measurement categories and reconciles the IAS 39 and IFRS 9 carrying amounts for loans, securities and other financial asset exposures as at 1 January 2018 as a result of IFRS 9 adoption.

	IAS 39 measure-ment category	IFRS 9 measure-ment category	IAS 39 carrying amount	Reclassi-fication	Remeasur ement	IFRS 9 carrying amount
Financial assets						
Investment securities	Available-for-sale	FV through OCI	7,931,789	(111,246)	-	7,820,543
Investment securities	FVTPL	FVTPL	801,439	111,246	-	912,685
Total investments securities			**8,733,228**	**-**	**-**	**8,733,228**
Allowance for credit losses			**-**	**-**	**(84,305)**	**(84,305)**
Cash & Cash Equivalents	Amortized cost	Amortized cost	145,200	-	(2,693)	142,507
Reverse repurchase agreements	Amortized cost	Amortized cost	172,965	-	-	172,965
Other financial assets	Amortized cost	Amortized cost	31,173	-	(579)	30,594
Allowance for credit losses			**-**	**-**	**(3,272)**	**(3,272)**
Total pre-tax impact of IFRS 9 adoption			**9,082,566**	**-**	**(87,577)**	**8,994,989**

Impairment loss allowance at the beginning of the period (IAS 39)	**6,967**
Effect of change in accounting policy due to IFRS 9 adoption	**87,577**
Impairment loss allowance at the beginning of the period according to IFRS 9	**94,544**

The following table illustrates the impact of IFRS 9 adoption on the Company's equity, in particular on fair value revaluation reserve and retained earnings as of 1 January 2018:

	Investment revaluation reserve	Retained earnings
31 December 2017	**807,514**	**809,041**
Reclassification of financial assets as a result of business models assessment, net of tax	(1,832)	1,832
Remeasurement of financial assets due to adoption of the impairment loss provisions of IFRS 9, net of tax	67,444	(70,061)
1 January 2018	**873,126**	**740,812**

Decrease in net deferred income tax liabilities related to changes under IFRS 9 amounted to AMD 654 thousand.

IFRS 15 Revenue from Contracts with Customers. The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed. In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2018.

The adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration. IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (e.g. a non-refundable deposit or deferred revenue).

The Interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The accounting policies, presentation and methods of computation that were applied only in the preparation of the Company's financial statements for the year ended December 31, 2017

Financial instruments

The Company 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: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held to maturity' ("HTM") investments, 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 Company 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 Company 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 Company'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 'net gain from financial instruments at fair value through profit or loss' and 'interest income' line item, respectively, in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described (see Note 24).

Held to maturity investments. Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company 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 Company 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 Company would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

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) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

Fair value is determined in the manner described (see Note 24). Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, dividend income and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Loans and receivables. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market 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.

Securities repurchase and reverse repurchase agreements and securities lending transactions. In the normal course of business, the Company enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilized by the Company as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collateralized deposit received within depositary instruments with banks.

The Company enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice.

The transfer of securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred.

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties, in which case the obligation to return the securities is recorded at fair value in other borrowed funds.

Derecognition of financial assets. The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company 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 profit or loss. A cumulative gain or loss that had been recognized 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 recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company'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 Company's own equity instruments.

Financial liabilities

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

Financial liabilities at FVTPL. 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 Company 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 Company'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 liabilities 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 interest paid on the financial liability and is included in the 'interest expenses' line item in the statement of profit or loss and other comprehensive income. Fair value is determined in the manner described (see Note 24).

Other financial liabilities. 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 Company derecognizes financial liabilities when, and only when, the Company'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.

The accounting policies, presentation and methods of computation that have been followed in the current year as well as applied in the preparation of Company's financial statements for the year ended December 31, 2017.

a. Basis of preparation

These financial statements have been prepared on the assumption that the Company is a going concern and will continue operation for the foreseeable future.

The financial statements have been prepared on a historical cost basis, except for financial instruments as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

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 Company 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.

In addition, for financial reporting purposes, fair value measurements are categorized 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 entity 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 Company maintains its accounting records in accordance with the law of Armenia. These financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.
The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 25.

b. Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). Armenian dram is the currency of the RA and the Company's and its subsidiary's functional and presentation currency. All financial information is presented rounded to the nearest thousands of dram, except when otherwise indicated.

c. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when, and only when, the Company has a legal right to offset the recognized amounts and it intends either to settle on a net basis or to realize the asset 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 Company.

The principle accounting policies are set out below.

d. Foreign currency

Transactions in foreign currencies are translated into the functional currency at the appropriate exchange closing rate on the dates of the transactions. In the absence of exchange closing rates, average daily exchange rate published by CBA is used. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss as net foreign exchange gain (loss), except for those arising on financial instruments at fair value through profit or loss, which are recognized as a component of net gain or loss from financial instruments at fair value through profit or loss.

Below are the relevant exchange rates which were used by the Company for the purpose of these financial statements:

	Average Rate		Spot Rate	
	2018	2017	December 31, 2018	December 31, 2017
AMD/1 US Dollar	483.03	482.63	483.75	484.1
AMD/1 Euro	570.05	546.1	553.65	580.1

e. 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 Company and the amount of income can be measured reliably. Interest income and expense, including interest income from non-derivative financial assets at fair value through profit or loss, are recognized in profit or loss, using the effective interest method.

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.

When calculating the effective interest rate, the Management estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Interest received or receivable and interest paid or payable are recognized in profit or loss as interest income and interest expense, respectively.

f. Asset management activities and commission income

Portfolio and other management fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided.

Asset management and administration fees relate to fees earned on fiduciary activities where the Company holds or invests assets on behalf of its clients, and provides other asset-based financial services. These fees are based upon daily balances of client assets invested in these funds. The Company also earns asset management fees for advice solutions, which include advisory and managed account services. The fair values of client assets included in funds are based on quoted market prices and other observable market data.

Assets under management and under custody of the Company are not assets of the Company and therefore are not recognized in the statement of financial position. The Company is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

g. Security transactions and related investment income

Securities transactions are accounted for on trade date (date securities are purchased or sold). Interest income is recorded on an accrual basis. Dividend income is recorded on the ex-dividend date. The cost of securities is computed on a weighted average cost basis.

With respect to any short-term and fixed-income investments, discounts and premiums are amortized and are included in investment income. The cost of securities sold is calculated on an amortized cost basis.
In the statement of profit or loss and other comprehensive income net gain from financial instruments at fair value through profit or loss includes all realized and unrealized fair value changes and foreign exchange differences, but excludes interest and dividend income.

h. Fees and commission expenses

Fees and commission expenses are recognized in profit or loss as related services are performed.

i. The Company 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.

j. Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

k. 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 differs 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 Company'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 investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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 liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company 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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Operating taxes. The RA also has various other taxes, which may be assessed on the Company's activities. These taxes are included as a component of operating expenses in the statement of profit or loss and other comprehensive income.

4. USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year relate to accounting for financial instruments, particularly fair value measurements. The best evidence of fair value is price quotations in an active market. In the absence of quoted prices in an active market, the Management uses other evaluation techniques, such as the comparative approach with similar instruments both in the internal and external markets. Fair value measurements are discussed in note 24.

5. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

The impact of the application of the new and revised IFRS Standards below is for illustrative purposes only. Entities should analyse the impact of these new or revised IFRS Standards on their financial statements based on their specific facts and circumstances and make appropriate disclosures.

IFRS 16	*Leases*
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 28	*Long-term interests in Associates and Joint Ventures*
Amendments to IAS 1 and IAS 8	*Definition to Material*
IFRIC 23	*Uncertainty over Income Tax Treatments*

The management do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

IFRS 16 Leases

General impact of application of IFRS 16 Leases. IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company will be 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease. The Company will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Company will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

Operating leases: IFRS 16 will change how the Company accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Company will:

- Recognise right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;
- Recognise depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
- Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Company will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

Finance leases*:* the main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. On initial application the Company will present equipment previously included in property, plant and equipment within the line item for right-of-use assets and the lease liability, previously presented within borrowing, will be presented in a separate line for lease liabilities.

Management has not yet carried out a full assessment of the impact of adoption of new and revised IFRS Standards that have been issued but are not yet effective as at the issuance of these financial statements but does not expect a material effect on the financial statements.

Impact on Lessor Accounting. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

Because of this change the Company will reclassify certain of its sublease agreements as finance leases. As required by IFRS 9, an allowance for expected credit losses will be recognised on the finance lease receivables. The leased assets will be derecognised and finance lease asset receivables recognised. This change in accounting will change the timing of recognition of the related revenue (recognised in finance income).

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures. The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount reauired by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The amendments apply retrospectively to annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9.

Amendments to IAS 1 and IAS 8 Definition to Material. The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

IFRIC 23 Uncertainty over Income Tax Treatments. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- Determine whether uncertain tax positions are assessed separately or as a Company; and
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The Interpretation is effective for annual periods beginning on or after January 1, 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prespectively.

Management has not yet carried out a full assessment of the impact of adoption of new and revised IFRS Standards that have been issued but are not yet effective as at the issuance of these financial statements.

6. NET INTEREST INCOME

	2018	2017
Interest income:		
Financial assets at fair value through other comprehensive income	781,658	896,842
Interest income from bank accounts and deposits	3,331	1,167
Reverse repurchase agreements	1,270	12,473
Other assets	1,267	618
Total interest income	**787,526**	**911,100**
Interest expense:		
Repurchase agreements	366,958	406,977
Borrowings from financial institutions	23,903	13,526
Other	1,386	-
Total interest expense	**392,247**	**420,503**
Net interest income	**395,279**	**490,597**

7. FEE AND COMMISSION INCOME AND EXPENSE

	2018	2017
Fee and commission income:		
Maintenance of securities registry	60,550	61,560
Securities registration	45,387	61,907
Securities placement and pricing	38,632	24,702
Securities account opening and maintenance	23,700	25,718
Advisory services	18,607	2,600
Brokerage services	4,892	4,384
Providing information	1,769	2,851
Other commission income	1,109	809
Total fee and commission income	**194,646**	**184,531**
Fee and commission expense:		
Services provided by the depositary	(78,627)	(92,463)
Stock exchange commission	(5,922)	(1,020)
Other commission expense	(1,477)	(1,051)
Total fee and commission expense	**(86,026)**	**(94,534)**
Net fee and commission income	**108,620**	**89,997**

8. NET GAIN FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018	2017
Net change in fair values	126,447	105,036
Net (loss)/gain from dealing operations in foreign exchange	(64)	3,495
Net gain on financial assets at fair value through profit or loss	**126,383**	**108,531**

9. ADMINISTRATIVE EXPENSES

	2018	2017
Operating lease expense	17,560	16,680
Professional services	9,922	5,461
Taxes other than income tax, penalties	9,632	4,782
Office and administrative expense	8,705	9,908
Depreciation and amortisation	7,831	10,370
Travel and trainings	4,678	5,077
Representation expenses	4,565	2,567
Communication expenses	1,878	1,727
Insurance expenses	645	675
Advertising expenses	121	509
Other	432	2,523
Total administrative expenses	**65,969**	**60,279**

10. INCOME TAX

	2018	2017
Current income tax expense	105,211	114,487
Current income tax expense corrected in respect of prior years	-	(22,454)
Deferred income tax expense	3,907	21,512
Total income tax expense	**109,118**	**113,545**

The Company 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 may differ from IFRS.

The Company 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, 2018 and 2017 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 the reconciliations below is the corporate tax rate of 20% payable by entities in the Republic of Armenia on taxable profits (as defined) under tax law in that jurisdiction (2017: 20%).

	2018		2017	
Profit before income tax	**609,264**		**660,608**	
Tax at the statutory tax rate	121,853	20%	132,121	20%
Non-taxable income	(12,735)	(2.1%)	(18,576)	(3%)
Income tax expense	**109,118**	**17.9%**	**113,545**	**17%**

Deferred tax calculation in respect of temporary differences as at December 31, 2018 and 2017 is as follows:

	January 1, 2018	Effect of adoption of IFRS 9	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2018
Deferred tax assets					
Other liabilities	1,985	-	768	-	2,753
Other assets	-	116	(14)	-	102
Cash and cash equivalents	-	538	(293)	-	245
Total deferred tax assets	**1,985**	**654**	**461**	**-**	**3,100**
Deferred tax liabilities					
Financial assets from investments	(201,746)	-	(4,368)	23,902	(182,212)
Property and equipment	(1,967)	-	-	-	(1,967)
Total deferred tax liabilities	**(203,713)**	**-**	**(4,368)**	**23,902**	**(184,179)**
Net deferred tax liability	**(201,728)**	**654**	**(3,907)**	**23,902**	**(181,079)**

	January 1, 2017	Recognized in profit or loss	Recognized in other comprehensive income	December 31, 2017
Deferred tax assets				
Other assets	22,454	(22,454)	-	-
Other liabilities	999	986	-	1,985
Total deferred tax assets	**23,453**	**(21,468)**	**-**	**1,985**
Deferred tax liabilities				
Financial assets from investments	(133,184)	-	(68,562)	(201,746)
Property and equipment	(1,923)	(44)	-	(1,967)
Total deferred tax liabilities	**(135,107)**	**(44)**	**(68,562)**	**(203,713)**
Net deferred tax liability	**(111,654)**	**(21,512)**	**(68,562)**	**(201,728)**

11. EARNINGS PER SHARE

	December 31, 2018	December 31, 2017
Profit for the year	500,146	547,063
Weighted average number of shares	267,150	267,150
Earnings per share - basic and diluted	**1.87**	**2.05**

12. CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Cash on hands	1,506	384
Current accounts	65,840	144,816
Less: allowance for impairment losses	(1,225)	-
Total cash and cash equivalents	**66,121**	**145,200**

As at reporting date none of the individual balances in current accounts exceed 10% of equity (2017: Nil).

Allowance for impairment losses is recognised as per IFRS 9 adoption requirements and represents Stage 1 asset-related allowance. A reconciliation of the impairment loss allowance by stages in accordance with IFRS 9 is as follows:

	2018	
	Stage 1	Total
Impairment loss allowance at 1 January	-	-
Effect of changes in accounting policy due to IFRS 9 adoption	2,693	**2,693**
Impairment loss allowance at 1 January according to IFRS 9	**2,693**	2,693
Recovery for the year	(1,468)	**(1,468)**
Impairment loss allowance at 31 December	**1,225**	**32**

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2018	December 31, 2017
Debt Instruments		
Corporate debt instruments	1,511,334	604,352
Total debt instruments	**1,511,334**	**604,352**
Equity Instruments		
Fund units held	234,118	187,466
Corporate equity instruments	9,834	9,621
Total equity investments	**243,952**	**197,087**
Total financial assets at fair value through profit or loss	**1,755,286**	**801,439**

Investments in fund units represent unit holdings in funds under the Company's investment management and managed externally. These units are carried at Company's share of the net asset value of the funds as at reporting date.

As at December 31, 2018 financial assets at fair value through profit or loss represented by Corporate debt securities in the amount of AMD 129,075 thousand (December 31, 2017: AMD 58,650 thousand) are pledged with financial institutions that provide borrowings or credit facilities to the Company.

As at December 31, 2018 financial assets at fair value through profit or loss in the amount of AMD 171,643 thousand (December 31, 2017: nil) are pledged under repurchase agreements with local banks.

Pledges are discussed in notes 19 and 20.

14. INVESTMENT SECURITIES

	December 31, 2018	December 31, 2017
Held by the Company		
Debt instruments		
Government securities of the Republic of Armenia	684,522	999,902
Non government securities	-	112,985
	684,522	**1,112,887**
Equity instruments		
Shares of companies operating in the Republic of Armenia	-	550
	-	**550**
Total held by the Company	**684,522**	**1,113,437**
Pledged under borrowings from financial institutions		
Debt instruments		
Government securities of the Republic of Armenia	599,479	406,725
Total securities pledged under borrowings from financial institutions	**599,479**	**406,725**
Pledged under repurchase agreements		
Debt instruments		
Government securities of the Republic of Armenia	5,625,060	6,411,627
Total securities pledged under repurchase agreements	**5,625,060**	**6,411,627**
Total securities	**6,909,061**	**7,931,789**
Total financial assets at fair value through other comprehensive income	**6,909,061**	**7,931,789**

	December 31, 2018	December 31, 2017
Investment securities measured at fair value through other comprehensive income classified under IFRS 9	6,909,061	-
Available-for-sale investment securities	-	7,931,789
	6,909,061	**7,931,789**

Government debt securities represent securities issued by the Ministry of Finance of Armenia bearing fixed coupon interest rates between 9% to 13 % p.a. (2017: 9% to 13% p.a.) and expiring between 2020-2036 (2017: 2019 to 2036). The fair value of these instruments is measured using valuation techniques applying current market rates to discounted future cash flows or quoted prices.

15. INVESTMENTS IN ASSOCIATES

	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Company	
			December 31, 2018	December 31, 2017
Glocal Asset Management CJSC	Fund Manager	Yerevan, Armenia	33%	33%

During 2017 the Company made an investment in newly incorporated Glocal Asset Management cjsc, whose primary operations comprise of non-public fund management services. Summarised financial information in respect of this investment is set out below, prepared from the associate's IFRS financial statements.

"Glocal Asset Management CJSC"	December 31, 2018	December 31, 2017
Balance at the beginning of the period	**34,270**	-
Initial investment	-	25,000
Company's share of the associate's profit for the year	9,900	9,270
Total	**44,170**	**34,270**

"Glocal Asset Management CJSC"	2018	2017
Revenue	40,854	19,789
Profit and other comprehensive income for the year	30,000	28,006
Dividends received from the associate during the year	-	-

16. OTHER ASSETS

	December 31, 2018	December 31, 2017
Other financial assets		
Loans to employees	4,448	11,865
Less: allowance for impairment loss for loans to employees	(83)	-
Receivables on services provided	30,158	26,275
Less: allowance for impairment loss for receivables	(7,626)	(6,967)
	26,897	**31,173**
Other non-financial assets		
Prepayments given	3,951	1,956
Other	-	4,339
	3,951	**6,295**
Total other assets	**30,848**	**37,468**

Allowance for impairment losses is recognised as per IFRS 9 adoption requirements and represents Stage 1 asset-related allowance. A reconciliation of the impairment loss allowance by stages in accordance with IFRS 9 is as follows:

	2018	
	Stage 1	Total
Impairment loss allowance at 1 January	6,967	**6,967**
Effect of changes in accounting policy due to IFRS 9 adoption	579	**579**
Impairment loss allowance at 1 January according to IFRS 9	**7,546**	**7,546**
Increase in loss allowance during the year	163	**163**
Impairment loss allowance at 31 December	**7,709**	**7,709**

17. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Communication devices and computers	Motor Vehicles	Other	Intangible assets	Total
Cost					
At January 1, 2017	**13,713**	**45,220**	**12,965**	**8,367**	**80,265**
Additions	2,011	-	7,343	-	9,354
At December 31, 2017	**15,724**	**45,220**	**20,308**	**8,367**	**89,619**
Additions	913	17,579	3,114	-	21,606
Disposals	-	(12,872)	-	-	(12,872)
At December 31, 2018	**16,637**	**49,927**	**23,422**	**8,367**	**98,353**
Accumulated depreciation					
At January 1, 2017	**12,903**	**14,187**	**10,233**	**6,569**	**43,892**
Depreciation charge	2,088	6,442	1,440	400	10,370
At December 31, 2017	**14,991**	**20,629**	**11,673**	**6,969**	**54,262**
Depreciation charge	1,010	4,918	1,503	400	7,831
Disposals	-	(12,872)	-	-	(12,872)
At December 31, 2018	**16,001**	**12,675**	**13,176**	**7,369**	**49,221**
Net book value					
At December 31, 2018	**636**	**37,252**	**10,246**	**998**	**49,132**
At December 31, 2017	**733**	**24,591**	**8,635**	**1,398**	**35,357**
At December 31, 2016	**810**	**31,033**	**2,732**	**1,798**	**36,373**

At December 31, 2018 property and equipment included fully depreciated assets with original cost of AMD 26,364 thousand (2017: AMD 34,557 thousand).

18. EQUITY

As of December 31, 2018 the Company's registered and paid-in share capital was AMD 267,150 thousand (2017: AMD 267,150 thousand) represented by 267,150 ordinary shares of AMD 1,000 each. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share.

The respective shareholders at December 31, 2018 and December 31, 2017 were as follows:

	December 31, 2018		December 31, 2017	
	Paid-in share capital	**% of total paid in capital**	**Paid-in share capital**	**% of total paid in capital**
Aram Kayfajyan	115,393	43.19%	115,393	43.19%
GERMAN CAUCASIAN TRADING LTD	72,934	27.30%	72,934	27.30%
Ashot Changaryan	27,000	10.11%	27,000	10.11%
Other shareholders	51,823	19.40%	51,823	19.40%
	267,150	**100%**	**267,150**	**100%**

The share capital of the Company was contributed by the participants in Armenian Drams and they are entitled to dividends and any capital distribution in Armenian Drams. In 2018 AMD 213,720 thousand dividends were declared and paid (2017: AMD 160,290 thousand).

The Company's distributable reserves among participants are limited to the amount of its accumulated retained earnings as disclosed in its statutory accounts in accordance with the legislation of the RA. Non-distributable reserves are represented by a main reserve fund, which is created as required by the statutory regulations, in respect of general risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Charter of the Company and its subsidiary that provide for the creation of a reserve for these purposes a minimum of 15% of Share capital.

19. TRANSFERS OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Company has transactions under repurchase or reverse repurchase agreements. The securities lent or sold under repurchase agreements are transferred to a third party in exchange for cash received by the Company. These financial assets may be re-pledged or resold by counterparties in the absence of default, but the counterparty has an obligation to return the securities at the maturity of the contract. The Company has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognized them. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the Company acts as intermediary.

Repurchase agreements

	December 31, 2018	December 31, 2017
Fair value of own financial assets at fair value through other comprehensive income transferred and pledged under repurchase agreements	5,625,060	6,411,627
Fair value of own financial assets at fair value through profit or loss transferred and pledged under repurchase agreements	171,643	-
Fair value of securities received under reverse repurchase agreement and pledged under repurchase agreements	-	109,807
Total financial assets transferred and pledged under repurchase agreements	**5,796,703**	**6,521,434**
Carrying amount of associated liabilities	**5,524,087**	**6,206,959**

Reverse repurchase agreements

As at December 31, 2018 the Company did not have reverse repurchase agreements (December 31, 2017: Company had a reverse repurchase agreement in the amount AMD 172,965 thousand at nominal interest rate of 10.7%). As at December 31, 2017 the fair value of assets received as collateral for these reverse repurchase agreements amounted to AMD 192,161 thousand representing Government debt securities of the RA. The Company is obliged to return equivalent securities. Interest recognized during 2017 for reverse repurchase agreements amounted to AMD 12,473 thousand.

20. DUE TO FINANCIAL INSTITUTIONS

	December 31, 2018	December 31, 2017
Loans and overdrafts from financial institutions	667,420	471,307
Total amounts due to financial institutions	**667,420**	**471,307**

Amounts due to financial institutions bear fixed interest rates from 2.25% to 3.75% and maturity from January 2019 to February 2019 (December 31, 2017: 2.25 % to 5.75 % and mature from January 2018 to February 2018). These liabilities are denominated in Armenian drams and US dollars, see Note 25. The overdraft facilities as per signed agreements are available through to 2020.

Financial assets pledged against amounts due to financial institutions, represented by government and corporate bonds, at December 31, 2018 amounted to AMD 728,554 thousand (December 31, 2017: AMD 465,375 thousand).

21. OTHER LIABILITIES

	December 31, 2018	December 31, 2017
Other financial liabilities:		
Accounts payable	10,671	18,918
Due to personnel	13,767	9,925
	24,438	**28,843**
Other non-financial liabilities:		
Prepayments received	8,043	10,776
Tax payable, other than income tax	6,050	6,359
	14,093	**17,135**
Total	**38,531**	**45,978**

22. RELATED PARTIES TRANSACTIONS

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. For the purpose of the present financial statements, related parties include the parent company, ultimate shareholders, funds under management, the Company's management as well as other persons and enterprises related with and controlled by them respectively.

As at December 31, 2018 and 2017, the ultimate controlling party of the Company was Aram Kayfajyan.

Related party transactions, outstanding balances at the year end, and related expense and income for the reporting years were as follows:

	December 31, 2018		
	Shareholders and entities under common control of the shareholders	**Key management personnel**	**Funds under Company's associate management**
Statement of profit or loss and other comprehensive income			
Income			
Fee and commission income	2,421	3	951
Other income (lease)	750	-	-
Interest income	201	495	-
Statement of financial position			
Loans to employees/Other assets	-	1,039	-
Prepayments received/other liabilities	-	5	-

	December 31, 2017		
	Shareholders and entities under common control of the shareholders	**Key management personnel**	**Funds under Company's associate management**
Statement of profit or loss and other comprehensive income			
Income			
Fee and commission income	1,202	180	304
Other income (lease)	-	-	554
Expenses			
Administrative and other expenses	-	2,350	-
Statement of financial position			
Loans to employees/Other assets	360	1,147	75

Key management compensation for the year amounted to AMD 57,380 thousand (2017: AMD 33,077 thousand).

23. CONTINGENT LIABILITIES

Tax and legal matters

The taxation system in Armenia is characterized by frequently changing legislation, which is often unclear, contradictory and subject to interpretation. Often, different interpretations exist among various taxation authorities and jurisdictions.

Often tax authorities claim additional taxes for transactions and accounting methods, for which they did not claim previously. As a result additional fines and penalties could arise. Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include earlier periods. Management believes that the Company has complied with all regulations and has adequately settled all its tax liabilities.
Management also believes that the ultimate liability, if any, arising from legal actions and complaints taken against the Company, will not have a material adverse impact on the financial condition or results of future operations of the Company.

Operating lease commitments – The Company as a lessee

In the normal course of business the Company enters into commercial lease agreements for office and facilities. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Not later than 1 year	4,500	4,170
Total operating lease commitments	**4,500**	**4,170**

Market making

The Company provides market-making services to local financial institutions. In accordance with RA Stock Exchange regulations on market-making services for securities under market-making agreements, the Company has an obligation to keep a minimum of 0.5% of the total Corporate debt securities in issue in its portfolio. As at December 31, 2018 the Company had a commitment to sell those securities in the amount AMD 138,162 thousand (December 31, 2017: AMD 105,083 thousand) if such requests were made in the market. Similarly, the Company has an obligation to purchase the equivalent amount upon such request in the market.

Insurance

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

24. FAIR VALUES OF FINANCIAL INSTRUMENTS

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. 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.

Fair value of financial assets and financial liabilities that are 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, fair values are determined for measurement based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability, however given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Financial assets/financial liabilities	**Fair value as at December 31, 2018**	**Fair value as at December 31, 2017**	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
- Republic of Armenia Government and Agencies debt securities	6,909,061	7,818,254	Level 2	Quoted prices	N/A	N/A
- Corporate debt securities	1,511,334	717,337	Level 2	Quoted prices	N/A	N/A
- Equity securities	9,834	10,171	Level 3	Quoted prices	N/A	N/A
- Unit holdings in Funds under management and managed externally	234,118	187,466	Level 2	Net asset value of respective funds as published by the Funds	N/A	N/A
	8,664,347	**8,733,228**				

Management applies judgment in categorizing financial instruments using the fair value hierarchy. The significance of a valuation input is assessed against the fair value measurement in its entirety.

During the period ended December 31, 2018 and 2017 there were no transfers between Level 1 and Level 2.

The fair values of the financial assets and financial liabilities included in the Level 2 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties, ranging from 3.82%-10.27% (2017: 3.62%-12.27% %).

Fair value of financial assets and liabilities not measured at fair value on recurring basis

For fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required), the management considers that the carrying amounts of financial assets and financial liabilities recongised in the financial assets and financial liabilities recognised in the financial statements approximate at their fair value.

25. RISK MANAGEMENT

Introduction and overview

The Company's business activities expose it to a variety of financial risks, including market, credit, liquidity risks and non financial risks, including technology, operations, legal, and reputational risks. Identification and management of these risks are essential to the success and financial soundness of the Company. This note presents information about the Company's exposure to these risks, its objectives, policies and processes for measuring and managing risks.
The Company takes an active role in the risk management process and has policies and procedures under which specific business and control units are responsible for identifying, measuring, and controlling various risks. Oversight of risk management is delegated to the Executive body of the Company's, which is responsible for reviewing and monitoring risk exposures and leading the continued development of risk management policies and practices. The specific areas include:

- credit and market risk, focusing on credit exposures resulting from taking positions in certain securities.
- information security and privacy, focusing on information security and privacy policies, procedures and controls
- investment management, focusing on activities in which the Company's and its principals operate in an investment advisory capacity
- operational risk management, focusing on risks relating to potential inadequate or failed internal processes, people and systems, and from external events and relationships (e.g., vendors and business partners).

Management has written policies and procedures that govern the conduct of business by employees, relationships with clients and the terms and conditions of relationships with counterparties. The client related policies address the client participation in funds, data and physical security, compliance with industry regulation and codes of ethics to govern employee and advisor conduct among other matters.

Risk is inherent in the Company's business. Consequently, despite efforts to identify areas of risk and implement risk management policies and procedures, there can be no assurance that the Company's will not suffer unexpected losses due to operating or other risks.

a. Financial risk management

Financial risks are risks arising from financial instruments to which the Company's is exposed during or at the end of the reporting period. Financial risk comprises market risk, credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits.

Credit risk

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

Financial assets subject to IFRS 9's impairment requirements
The Company's financial assets subject to the expected credit loss model within IFRS 9 are Financial assets at fair value through other comprehensive income, cash and cash equivalents, staff loans and other receivables. A reconciliation of the provision for impairment for the year ended 31 December 2018 is as follows:

	Investment securities at fair value through other comprehensive income	Cash and cash equivalents	Other assets	Total
Impairment loss allowance at 1 January 2018	-	-	**6,967**	**6,967**
Effect of changes in accounting policy due to IFRS 9 adoption	84,305	2,693	579	**87,577**
Impairment loss allowance at 1 January 2018 according to IFRS 9	**84,305**	**2,693**	**7,546**	**94,544**
Net charge/(recovery) of provision for impairment	(9,912)	(1,468)	163	**(11,217)**
Impairment loss allowance at 31 December 2018	**74,393**	**1,225**	**7,709**	**83,327**

There is not considered to be any concentration of credit risk within these assets. No assets are considered impaired and no amounts have been written off in the period.

The Company has adopted the simplified approach for the IFRS 9 ECL model. The loss allowance shown is therefore based on 12-month ECLs using the Moody's probability of default based on the current counterpary's Moody's rating if applicable, and the Country's rating if not applicable.

Financial assets not subject to IFRS 9's impairment requirements

The Company is exposed to credit risk on debt instruments, money market funds and similar securities and derivative assets. These classes of financial assets are not subject to IFRS 9's impairment requirements as they are measured at FTVPL. The carrying value of these assets, under both IAS 39 (2017) and IFRS 9 (2018) represents the Company's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments. Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. The Company's bears credit risk primarily on investing activities and bank balances. The Company seeks to control its credit risks by applying monitored investment strategy as well as sound selecting of servicing banking partners. The Company may enter into secured financing transactions such as sale and repurchase agreements (repo agreements) or purchase and resale agreements (reverse repo agreements). For secured transactions involving repurchase and resale agreements the Company is permitted to sell or repledge the securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover any short positions.

The Company has responsibility for the oversight of credit risk and is responsible for management of the Company's credit risk, including formulating credit policies, covering collateral requirements, credit assessment, reviewing and assessing credit risk, limiting concentrations of exposure to counterparties, and by issuer, credit rating band, market liquidity and country. Management does not have an internal credit rating system and manages the credit risk by regularly reviewing asset quality, defining and amending where necessary the risk appetite by using, among other things, policies on limits, specific approvals for large transactions.

As at December 31, 2018 and 2017 credit risk exposure of financial assets are presented in the table below:

	December 31, 2018	December 31, 2017	Country	Credit rating
Cash and cash equivalents	66,121	145,200	Armenia	Unrated
Reverse repurchase agreements	-	172,965	Armenia	Unrated
Financial assets at fair value through profit or loss	1,755,286	801,439	Armenia	B1-B2, Unrated
Financial assets at fair value through other comprehensive income	6,909,061	7,931,789	Armenia	Unrated
Other assets	26,897	31,173	Armenia	Unrated
	8,757,365	**9,082,566**		

As at December 31, 2018 and December 31, 2017 all the financial assets and liabilities are with counterparties within RA.

As at 31 December 2018 all the financial assets and liabilities are with counterparties within RA, further the investment portfolio includes Republic of Armenia treasuries. In 2018, Armenia has been in a political turmoil. Political unrest in Armenia, stabilization of the economic and political situation depends, to a large extent, upon success of the Armenian Government's efforts, yet further economic and political developments, as well as the impact of these factors on the Company and its investment portfolio are currently difficult to predict. The Company's assets can be adversely affected by the deterioration in credit markets, reductions in short-term interest rates and decreases in securities valuations.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company maintains excess liquidity in the form of overnight cash deposits and short-term investments to cover daily funding needs. Factors which affect the cash position and cash flows include investment activity in securities, capital transactions and other factors. The combination of these factors can cause significant fluctuations in the cash position during specific time periods.

The Company's policy 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 stress conditions.
In the table below the financial assets and liabilities, as recognised in the statement of financial position as at December 31, 2018 and 2017, are presented based on their discounted contractual cash flows. Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms. Management holds a portfolio of securities that are liquid and can be used to meet outflows of financial liabilities. Management estimates that undiscounted cash flows for financial liabilities approximate the information presented in the table below and is not separately presented.

Management holds a portfolio of securities that are liquid and can be used to meet outflows of financial liabilities, and hence has classified these as on demand in its liquidity risk analysis.

	December 31, 2018						
	Carrying amount	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity
Financial assets							
Cash and cash equivalents	**66,121**	66,121	-	-	-	-	-
Financial assets at fair value through profit or loss	**1,755,286**	1,511,334	-	-	-	-	243,952
Investment securities	**6,909,061**	6,909,061	-	-	-	-	-
Other financial assets	**26,897**	22,532	-	4,365	-	-	-
Total financial assets	**8,757,365**	**8,509,048**	**-**	**4,365**	**-**	**-**	**243,952**
Financial liabilities							
Repurchase agreements	**5,524,087**	5,524,087	-	-	-	-	-
Due to financial institutions	**667,420**	667,420	-	-	-	-	-
Other liabilities	**24,438**	24,438	-	-	-	-	-
Total financial liabilities	**6,215,945**	**6,215,945**	**-**	**-**	**-**	**-**	**-**
Net position	**2,541,420**	**2,293,103**	**-**	**4,365**	**-**	**-**	**243,952**

	December 31, 2017						
	Carrying amount	Less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity
Financial assets							
Cash and cash equivalents	**145,200**	145,200	-	-	-	-	-
Reverse repurchase agreements	**172,965**	172,965	-	-	-	-	-
Financial assets at fair value through profit or loss	**801,439**	604,352	-	-	-	-	197,087
Investment securities	**7,931,789**	7,931,239	-	-	-	-	550
Other financial assets	**31,173**	19,308	-	4,494	7,371	-	-
Total financial assets	**9,082,566**	**8,873,064**	**-**	**4,494**	**7,371**	**-**	**197,637**
Financial liabilities							
Repurchase agreements	**6,206,959**	6,206,959	-	-	-	-	-
Due to financial institutions	**471,307**	471,307	-	-	-	-	-
Other liabilities	**28,843**	28,843	-	-	-	-	-
Total financial liabilities	**6,707,109**	**6,707,109**	**-**	**-**	**-**	**-**	**-**
Net position	**2,375,457**	**2,165,955**	**-**	**4,494**	**7,371**	**-**	**197,637**

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Company's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company manages its investment inventory by product type and on a daily basis.

Interest rate risk

The Company is exposed to the risk that the fair value or income / future cash flows of its financial instruments portfolio will fluctuate as a result of fluctuations in market interest rates. In respect of the Company's interest-bearing financial instruments, the Company's policy is to transact in financial instruments that mature such that they best correspond to the maturity of financial liabilities. Nevertheless, the impact of interest rate risk can be high due to fluctuations in the prevailing levels of market interest rate.

Interest income is affected by changes in the volume and mix of these assets as well as by fluctuations in interest rates and portfolio management strategies. When interest rates fall, the Company may attempt to mitigate some of this negative impact by extending the maturities of assets in investment portfolios to lock in asset yields. A summary of the interest rate gap position for financial instruments at December 31, 2018 and 2017 are as follows:

	December 31, 2018						
	Carrying amount	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Non-interest bearing**
Financial assets							
Cash and cash equivalents	**66,121**	66,121	-	-	-	-	-
Financial assets at fair value through profit or loss	**1,755,286**	1,511,334	-	-	-	-	243,952
Investment securities	**6,909,061**	6,909,061	-	-	-	-	-
Other financial assets	**26,897**	22,532	-	4,365	-	-	-
Total financial assets	**8,757,365**	**8,509,048**	**-**	**4,365**	**-**	**-**	**243,952**
Financial liabilities							
Repurchase agreements	**5,524,087**	5,524,087	-	-	-	-	-
Due to financial institutions	**667,420**	667,420	-	-	-	-	-
Other liabilities	**24,438**	24,438	-	-	-	-	-
Total financial liabilities	**6,215,945**	**6,215,945**	**-**	**-**	**-**	**-**	**-**
Net position	**2,541,420**	**2,293,103**	**-**	**4,365**	**-**	**-**	**243,952**

	December 31, 2017						
	Carrying amount	**Less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 1 to 5 years**	**More than 5 years**	**Non-interest bearing**
Financial assets							
Cash and cash equivalents	**145,200**	145,200	-	-	-	-	-
Reverse repurchase agreements	**172,965**	172,965	-	-	-	-	-
Financial assets at fair value through profit or loss	**801,439**	604,352	-	-	-	-	197,087
Investment securities	**7,931,789**	7,931,239	-	-	-	-	550
Other financial assets	**31,173**	19,308	-	4,494	7,371	-	-
Total financial assets	**9,082,566**	**8,873,064**	**-**	**4,494**	**7,371**	**-**	**197,637**
Financial liabilities							
Repurchase agreements	**6,206,959**	6,206,959	-	-	-	-	-
Due to financial institutions	**471,307**	471,307	-	-	-	-	-
Other liabilities	**28,843**	28,843	-	-	-	-	-
Total financial liabilities	**6,707,109**	**6,707,109**	**-**	**-**	**-**	**-**	**-**
Net position	**2,375,457**	**2,165,955**	**-**	**4,494**	**7,371**	**-**	**197,637**

As none of the cash flows from Company's financial instruments as at December 31, 2017 and 2017 are linked to floating interest rates, the Company does not prepare and present interest rate risk sensitivity analysis due to no impact on profit or loss or equity in this respect.

The table below presents average interest rates on interest bearing instruments based on reports reviewed by the Company. These interest rates are an approximation of the yields to maturity of these assets.

	December 31, 2018		December 31, 2017	
In % p.a.	**AMD**	**USD**	**AMD**	**USD**
Interest bearing assets	10.8%	6.80%	12.46%	5.95%
Interest bearing liabilities	6.52%	3.05%	6.38%	-

Foreign currency risk

Foreign currency risk arises in respect of those recognized monetary financial assets and liabilities that are not in the functional currency of the Company.

The table below summarizes the exposure to foreign currency exchange rate risk as at December 31, 2018 and 2017:

	Armenian Drams	US Dollars	EURO	Total
Assets				
Cash and cash equivalents	65,938	118	65	**66,121**
Financial assets at fair value through profit or loss	458,459	1,296,827	-	**1,755,286**
Investment securities	6,909,061	-	-	**6,909,061**
Other financial assets	26,897	-	-	**26,897**
Total	**7,460,355**	**1,296,945**	**65**	**8,757,365**
Liabilities				
Repurchase agreements	5,159,565	364,522	-	**5,524,087**
Due to financial institutions	-	667,420	-	**667,420**
Other financial liabilities	24,438	-	-	**24,438**
Total	**5,184,003**	**1,031,942**	**-**	**6,215,945**
Net position	**2,276,352**	**265,003**	**65**	**2,541,420**

	December 31, 2017			
	Armenian Drams	**US Dollars**	**EURO**	**Total**
Assets				
Cash and cash equivalents	99,689	45,429	82	**145,200**
Reverse repurchase agreements	172,965	-	-	**172,965**
Financial assets at fair value through profit or loss	255,660	545,779	-	**801,439**
Investment securities	7,886,743	45,046	-	**7,931,789**
Other financial assets	31,173	-	-	**31,173**
Total	**8,480,500**	**636,254**	**82**	**9,116,836**
Liabilities				
Repurchase agreements	6,110,139	96,820	-	**6,206,959**
Due to financial institutions	-	471,307	-	**471,307**
Other financial liabilities	28,843	-	-	**28,843**
Total	**6,138,982**	**568,127**	**-**	**6,707,109**
Net position	**2,341,518**	**68,127**	**82**	**2,409,727**

The strengthening or weakening of the Armenian Dram, as indicated below, against the US dollar at December 31, 2018 would have (decreased) increased equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Management considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss / Equity	
	Weakening	**Strengthening**
AMD 10% movement against US dollar		
December 31, 2018	26,500	(26,500)
December 31, 2017	6,813	(6,813)

b. Operational risk

The Company's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation. The primary responsibility for the development and implementation of controls over operational risk rests with the Executive body of the Company. In order to reduce this risk, the internal processes are always monitored, processes that pose risk are automated as much as possible, in addition reserve technical and programming system capabilities are utilized, information is frequently copied and saved in a separate location in order to restore it at any time, where possibly an important two party process is taking place or for checking and verification purposes.

c. Capital risk management

The Company manages its capital to ensure it is able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The adequacy of the Company's capital is monitored using, among other measures, the ratios established by the CBA. During the past year, the Company had complied with all its externally imposed capital requirements.

d. Non-financial risk management

Technology and operating risk. The Company faces technology and operating risk which is the potential for loss due to deficiencies in control processes or technology systems of the Company, its vendors or its outsourced service providers that constrain the ability to gather, process, and communicate information and process transactions efficiently and securely, without interruptions. This risk also includes the risk of human error, employee misconduct, external fraud, computer viruses, distributed denial of service attacks, terrorist attacks, and natural disaster. The Company's operations are highly dependent on the integrity of its technology systems and success depends, in part, on the ability to make timely enhancements and additions to its technology in anticipation of evolving client needs. To the extent the Company experiences system interruptions, errors or downtime, business and operations could be significantly negatively impacted. To minimize business interruptions, the Company maintains backup and recovery functions, including facilities for backup and communications, and conducts testing of disaster recovery plans.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. The Company maintains policies and procedures regarding the standard of care expected with data, whether the data is internal information, employee information, or non-public client information. The Company clearly defines for employees, contractors and vendors the expected standards of care for confidential data. Regular training is provided in regard to data security.
Despite risk management efforts, it is not always possible to deter or prevent technological or operational failure, or fraud or other misconduct, and the precautions taken by the Company may not be effective in all cases. The Company may be subject to litigation, losses, and regulatory actions in such cases, and may be required to expend significant additional resources to remediate vulnerabilities or other exposures.

Regulatory risks. As a participant in the securities, asset management markets, the Company is subject to extensive regulation by governmental agencies and supervisory authorities. These regulatory agencies generally have broad discretion to prescribe greater limitations on the operations of a regulated entity for the protection of investors or public interest. As investment adviser the Company is also subject to regulatory requirements relating to fiduciary duties to clients, performance fees, maintaining an effective compliance program, solicitation arrangements, conflicts of interest, advertising, limitations on agency cross and principal transactions between the advisor and advisory clients, recordkeeping and reporting requirements, disclosure requirements and general anti-fraud provisions.

Management has invested in compliance functions to monitor its compliance with the numerous legal and regulatory requirements applicable to its business. Despite efforts to comply with applicable regulations, there are a number of risks, particularly in areas where applicable regulations may be unclear or where regulators revise their previous guidance. Any enforcement actions or other proceedings brought by the regulators against the Company or its affiliates, officers or employees could result in fines, penalties, cease and desist orders, enforcement actions, suspension or expulsion, or other disciplinary sanctions, including limitations on business activities, any of which could harm the Company's reputation and adversely affect the results of operations and financial condition. The consequences of noncompliance can include substantial monetary and non-monetary sanctions.

26. FINANCIAL INSTRUMENTS BY CATEGORY

In the tables below the financial assets and liabilities, as recognised in the statement of financial position as at December 31, 2018 and as at December 31, 2017, are presented based on their classification.

	December 31, 2018			
	Financial assets at amortised cost	**Financial assets at fair value through other comprehensive income**	**Financial assets at fair value through profit or loss**	**Total**
Financial Assets				
Cash and cash equivalents	66,121	-	-	**66,121**
Financial assets at fair value through profit or loss	-	-	1,755,286	**1,755,286**
Financial assets at fair value through other comprehensive income	-	6,909,061	-	**6,909,061**
Other financial assets	26,897	-	-	**26,897**
Total financial assets	**93,018**	**6,909,061**	**1,755,286**	**8,757,365**
Financial Liabilities				
Amounts due to financial institutions	667,420	-	-	**667,420**
Repurchase agreements	5,524,087	-	-	**5,524,087**
Other financial liabilities	24,438	-	-	**24,438**
Total financial liabilities	**6,215,945**	**-**	**-**	**6,215,945**

	December 31, 2017			
	Financial assets at amortised cost	**Financial assets at fair value through other comprehensive income**	**Financial assets at fair value through profit or loss**	**Total**
Financial Assets				
Cash and cash equivalents	145,200	-	-	145,200
Reverse repurchase agreements	172,965	-	-	172,965
Financial assets at fair value through profit or loss	-	-	801,439	801,439
Financial assets at fair value through other comprehensive income	-	7,931,789	-	7,931,789
Other financial assets	31,173	-	-	31,173
Total financial assets	**349,338**	**7,931,789**	**801,439**	**9,082,566**
Financial Liabilities				
Amounts due to financial institutions	471,307	-	-	**471,307**
Repurchase agreements	6,206,959	-	-	**6,206,959**
Other financial liabilities	28,843	-	-	**28,843**
Total financial liabilities	**6,707,109**	**-**	**-**	**6,707,109**