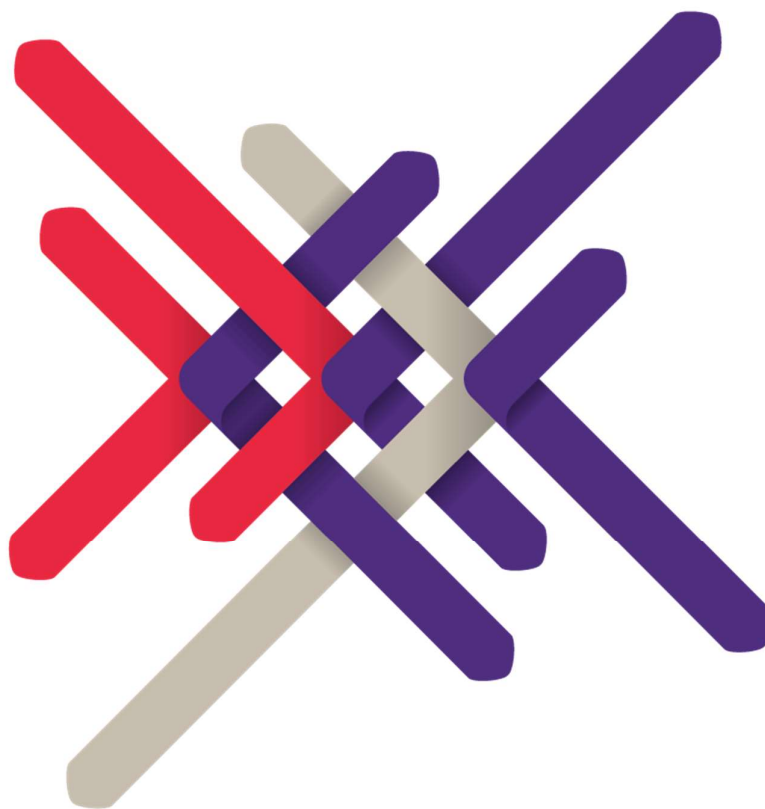


# **Financial Statements and Independent Auditor's Report**

**“Credit Concept” universal credit  
organization closed joint stock  
company**

31 December 2022



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# Independent auditor's report

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Երևան Պլազա  
Բիզնես Կենտրոն  
Գրիգոր Լուսավորիչ 9

Հ. + 374 10 260 964  
Ֆ. + 374 10 260 961

**Grant Thornton CJSC**

Yerevan Plaza Business Center  
9 Grigor Lusavorich street  
0015 Yerevan, Armenia

T + 374 10 500 964  
F + 374 10 500 961

To the shareholder of "Credit Concept" universal credit organization closed joint stock company

## *Opinion*

We have audited the financial statements of "Credit Concept" universal credit organization closed joint stock company (the "Company"), which comprise the statement of financial position as of 31 December 2022, 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 give a true and fair view of the financial position of the as of 31 December 2022 and of 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") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Armenia, and we have fulfilled our other ethical responsibilities in accordance with those ethical requirements. 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 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.

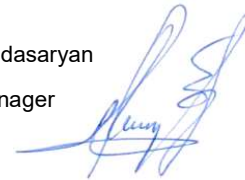
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Armen Hovhannisyan  
Chief Executive Officer

13 June 2023



Lilit Baghdasaryan  
Audit manager

A blue ink signature of Lilit Baghdasaryan.

# Statement of profit or loss and other comprehensive income

In thousand Armenian drams

	Notes	2022	2021
Interest income calculated using effective interest rate	6	133,881	137,676
Other interest income	6	115	-
Interest expense	6	(60,939)	(85,707)
Net interest income		<u>73,057</u>	<u>51,969</u>
Fee and commission income	7	162	-
Fee and commission expense	7	(862)	(871)
Net fee and commission expenses		<u>(700)</u>	<u>(871)</u>
Net gain from foreign currency transactions		8,136	2,247
Net loss on derecognition of investment securities measured at fair value through other comprehensive income		(7,105)	(35,142)
Other income		1,725	586
Impairment losses	8	(5,832)	(6,699)
Personnel expenses	9	(28,826)	(24,068)
Other expenses	10	<u>(40,303)</u>	<u>(32,432)</u>
Profit/(loss) before income tax		152	(44,410)
Income tax recovery	11	425	1,919
Profit/(loss) for the year		<u>577</u>	<u>(42,491)</u>
Other comprehensive income:			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
<i>Movement in fair value reserve (investment securities)</i>			
Net unearned loss from fair value changes		(26,010)	(25,382)
Changes in allowance for expected credit losses		(909)	(4,007)
Income tax relating to items that will be reclassified		698	5,350
Net loss on investment securities at fair value through other comprehensive income		<u>(26,221)</u>	<u>(24,039)</u>
Total comprehensive income for the year		<u>(25,644)</u>	<u>(66,530)</u>

The statement of profit or loss and other comprehensive is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 49.

# Statement of financial position

In thousand Armenian drams	Notes	31 December 2022	31 December 2021
<i>Assets</i>			
Cash	12	3,052	2,592
Bank balances	13	82,514	33,378
Investment securities pledged under repurchase agreements	14	193,033	357,912
Loans to customers	15	1,073,119	301,239
Property, equipment and intangible assets	16	21,724	12,688
Deferred income tax assets	11	11,445	10,322
Other assets	17	20,845	3,212
<b>Total assets</b>		<b>1,405,732</b>	<b>721,343</b>
<i>Liabilities and equity</i>			
<i>Liabilities</i>			
Loans under repurchase agreements	18	177,751	328,812
Loans and borrowings	19	866,050	204,670
Subordinated debt	20	39,383	48,046
Other liabilities	21	13,261	4,884
<b>Total liabilities</b>		<b>1,096,445</b>	<b>586,412</b>
<i>Equity</i>			
Share capital	22	415,000	215,000
Revaluation reserve		(49,083)	(22,862)
Accumulated loss		(56,630)	(57,207)
<b>Total equity</b>		<b>309,287</b>	<b>134,931</b>
<b>Total liabilities and equity</b>		<b>1,405,732</b>	<b>721,343</b>

The financial statements were signed on 13 June 2023 by:

Karen Petrosyan

General Executive Director

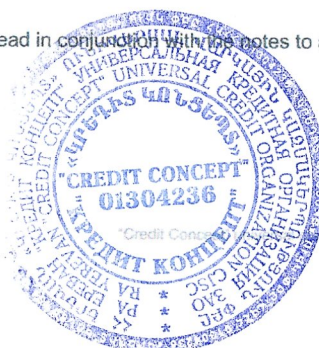


Alisa Sargsyan

Chief Accountant



The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 49.



# Statement of changes in equity

In thousand Armenian drams

	Share capital	Fair value reserve for investment securities	Accumulated loss	Total
Balance as of 1 January 2022	215,000	(22,862)	(57,207)	134,931
Profit for the year	-	-	577	577
Other comprehensive income:				
Net change in fair value of investment securities at FVOCI	-	(33,234)	-	(33,234)
Net amount reclassified to profit or loss on sale of investment securities at FVOCI	-	7,224	-	7,224
Net changes in allowance for expected credit losses of investment securities at FVOCI	-	(909)	-	(909)
Income tax relating to components of other comprehensive income	-	698	-	698
Total comprehensive income for the year	-	(26,221)	577	(25,644)
Increase in share capital	200,000	-	-	200,000
Total transactions with owners	200,000	-	-	200,000
Balance as of 31 December 2022	415,000	(49,083)	(56,630)	309,287
Balance as of 1 January 2021	215,000	1,177	(14,716)	201,461
Loss for the year	-	-	(42,491)	(42,491)
Other comprehensive income:				
Net change in fair value of investment securities at FVOCI	-	(63,456)	-	(63,456)
Net amount reclassified to profit or loss on sale of investment securities at FVOCI	-	38,074	-	38,074
Net changes in allowance for expected credit losses of investment securities at FVOCI	-	(4,007)	-	(4,007)
Income tax relating to components of other comprehensive income	-	5,350	-	5,350
Total comprehensive income for the year	-	(24,039)	(42,491)	(66,530)
Balance as of 31 December 2021	215,000	(22,862)	(57,207)	134,931

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 49.

# Statement of cash flows

In thousand Armenian drams

	2022	2021
<i>Cash flows from operating activities</i>		
Profit/(loss) before income tax	152	(44,410)
<i>Adjustments for</i>		
Amortization and depreciation expenses	2,782	2,375
Impairment loss	5,832	6,699
Interest receivable	(1,764)	(2,943)
Interest payable	3,243	2,192
Gain from foreign currency translation	(8,209)	(2,800)
<i>Cash flows from/(used in) operating activities before changes in operating assets and liabilities</i>	2,036	(38,887)
<i>(Increase)/decrease in operating assets</i>		
Bank balances	(53,772)	87,159
Loans to customers	(797,128)	(208,394)
Other assets	(5,908)	(2,238)
<i>(Increase)/decrease in operating liabilities</i>		
Loans under repurchase agreements	(151,061)	(711,545)
Other liabilities	8,453	(1,306)
Net cash flow used in operating activities before income tax	(997,380)	(875,211)
Income tax paid	-	-
Net cash used in operating activities	(997,380)	(875,211)
<i>Cash flows from investing activities</i>		
Purchase of investment securities	-	(657,813)
Sale of investment securities	138,869	1,381,670
Purchase of property, equipment and intangible assets	(11,818)	(2,243)
Net cash from investing activities	127,051	721,614



# Statement of cash flows (continued)

In thousand Armenian drams

	2022	2021
<i>Cash flow from financing activities</i>		
Proceeds from issue of share capital	200,000	-
Loans and borrowings received	479,041	201,362
Loans and borrowings (repaid)/received	192,357	(45,841)
Net cash from financing activities	871,398	155,521
Net increase in cash	1,069	1,924
Cash at the beginning of the year	2,592	706
Effect of exchange differences on cash	(609)	(38)
Cash at the end of the year (note 12)	3,052	2,592
<b>Supplementary information:</b>		
Interest received	132,232	134,733
Interest paid	(57,696)	(83,515)

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 49.

# Notes to the financial statements

## 1 Principal activities

"Credit Concept" universal credit organization closed joint stock company (the "Company") was incorporated in the Republic of Armenia on 31.07.2020 regulating by the legislation of RA and conducting its business under license number 54.

By Resolution No. 122 of 31.07.2020 of the Board of the Central Bank of Armenia (the "CBA"), the Company was granted license No. 359 to carry out all financial operations permitted by the RA Law "On Credit Organizations" and by the normative legal acts of the CBA of RA to credit organizations.

The principal activity of the Company is lending. The Company provides a comprehensive package of financial services throughout the entire chain of agricultural production, processing and marketing, including operational and business development loans, farm development and seasonal loans to food processing enterprises, rural small and medium entities and private farmers.

The registered office of the Company is located at: Arzumanyan st. 16/7, Yerevan, Republic of Armenia.

As of 31 December 2022 the number of employees of the Company is 11 (31 December 2021: 8 employees).

## 2 Armenian business environment

The changes in political and economic environment and the development of the legal, tax and legislative systems in Armenia have continuing nature and the stability and development of the Armenian economy largely depends on these changes.

The continuous Russian-Ukrainian war since February 2022 has had a significant impact on both the conflicting countries and on the world economy. Many leading countries and economic unions have announced severe economic sanctions against Russia, including Russian banks, other organizations and individuals. The war is still ongoing, but it has already led to a humanitarian crisis and huge economic losses in Ukraine, Russia and other countries.

The Ukraine and Russia are important trading partners of Armenia and Armenian business environment has not been spared from this influence. It is noteworthy that as a result of the war in Armenia, a certain economic activity was observed in 2022 due to the large influx of foreign citizens. There are no restrictions on the right of foreign citizens to own, establish or manage business interests in Armenia. Business registration procedures are generally simple.

Since the hostilities have not yet stopped, it is impossible to reliably assess its final impact on the business environment of Armenia.

These financial statements reflect management's assessment of the impact of the Armenian business environment on the operations of the Company. The Company's management constantly analyzes the economic situation in the current environment. The future economic and political situation and its impact on the Company's operations may differ from the management's current expectations.

## 3 Basis of preparation

### 3.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as developed and published by the International Accounting Standards Board (IASB), and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The Company prepares statements for regulatory purposes in accordance with legislative requirements of the Republic of Armenia. These financial statements are based on the Company's books and records as adjusted and reclassified in order to comply with IFRS.

## 3.2 Basis of measurement

The financial statements have been prepared on a fair value basis for financial instruments at fair value through other comprehensive income. Other financial assets and liabilities are stated at amortized cost and non-financial assets and liabilities are stated at historical cost.

## 3.3 Functional and presentation currency

Functional currency of the Company is the currency of the primary economic environment in which the Company operates. The Company's functional currency and the Company's presentation currency is Armenian Dram ("AMD"), since this currency best reflects the economic substance of the underlying events and transactions of the Company. The financial statements are presented in thousands of AMD, unless otherwise stated, which is not convertible outside Armenia.

## 3.4 Changes in accounting policies

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

New standards and amendments described below and applied for the first time in 2022, did not have a material impact on the annual financial statements of the Company.

- *Proceeds before intended use* (Amendments to IAS 16)
- *References to the conceptual framework* (Amendments to IFRS 3)
- *Onerous contracts – costs of fulfilling a contract* (Amendments to IAS 37)
- *Annual improvements to IFRS Standards 2018-2020 cycle* (Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16).

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendments to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Company applies the amendment to financial liabilities of 2022.

## 3.5 Standards and interpretations not yet applied by the Company

At the date of authorization of these financial statements, certain new standards, amendments and interpretations to the existing Standards have been published but are not yet effective. The Company has not early adopted any of these pronouncements.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policy for the first period beginning after the effective date of the pronouncement.

Management does not anticipate a material impact on the Company's financial statements from these Standards and Amendments, they are presented.

- *IFRS 17 Insurance Contracts*
- *Amendments to IFRS 17 Insurance Contracts (IFRS 17 and IFRS 4)*
- *Classification of liabilities as current or non-current* (Amendments to IAS 1)
- *Definition of Accounting Estimates* (Amendments to IAS 8)
- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16)
- *Non-current Liabilities with Covenants* (Amendments to IAS 1)
- *Deferred Tax related to Assets and Liabilities from a Single Transaction.*

## 4 Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied.

## 4.1 Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Expense is recognized to the extent that it is probable that the economic benefits will flow from the Company and the expense can be reliably measured. The following specific criteria must also be met before revenue is recognized:

### *The effective interest rate method*

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

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

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

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

### *Amortised cost and gross carrying amount*

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

### *Calculation of interest income and expense*

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

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

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

For information on when financial assets are credit-impaired, refer to note 4.4.6.

### *Fee and commission income*

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income – including transactions and servicing fees – is recognised as the related services are performed.

## 4.2 Foreign currency

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transactions. Gains and losses resulting from the translation of trading assets and gains less losses resulting from translation of non-trading assets are recognized in the statement of profit or loss in net gain/losses from

foreign currency translation. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

Differences between the contractual exchange rate of a certain transaction and the prevailing average exchange rate on the date of the transaction are included in gains less losses from trading in foreign currencies in net gain/losses from foreign currency translation.

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
AMD/1 US Dollar	393.57	480.14
AMD/1 EUR	420.06	542.61

## 4.3 Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized in the statement of profit or loss and other comprehensive income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. In the case when financial statements are authorized for issue before appropriate tax returns are submitted, taxable profits or losses are based on estimates. Tax authorities might have more stringent position in interpreting tax legislation and in reviewing tax calculations. As a result, tax authorities might claim additional taxes for those transactions, for which they did not claim previously. As a result, significant additional taxes, 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 even more periods.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

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

## 4.4 Financial instruments

### 4.4.1 Recognition and initial measurement

The Company initially recognises liabilities and deposits issued on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

### 4.4.2 Classification

#### *Financial assets*

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

### ***Business model assessment***

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

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

### ***Assessment whether contractual cash flows are solely payments of principal and interest (The SPPI test)***

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

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

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;

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

### *Reclassifications*

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. Financial liabilities are never reclassified.

### *Financial liabilities*

The Company classifies its financial liabilities as measured at amortised cost.

## 4.4.3 Derecognition

### *Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire (refer also to note 4.4.4), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

In transactions in which the Company neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

### *Financial liabilities*

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

## 4.4.4 Modifications of financial assets and financial liabilities

### *Financial assets*

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (refer to note 4.4.3) and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is carried out because of financial difficulties of the borrower (refer to note 4.4.6), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

## *Financial liabilities*

The Company derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

### 4.4.5 Offsetting

Financial assets and liabilities, and income and expenses, are offset and the net amount reported in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity.

### 4.4.6 Impairment

The Company assesses on a forward-looking basis the expected credit losses ('ECL') on the financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income

The Company measures loss allowances at an amount equal to lifetime ECL, except for the instruments, for which they are measured as 12-month ECL:

12-month ECL (12mECLs) are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Lifetime expected credit losses (LTECLs) are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

## *Measurement of ECL*

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. This is further explained in note 28.1.2.

Based on the above process, The Company groups its financial instruments into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1: When loans are first recognised, The Company recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, The Company records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Company records an allowance for the LTECLs.

Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

**PD (the Probability of Default)** is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

**EAD (the Exposure at Default)** is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.



**LGD (the Loss Given Default)** is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The PD, the EAD and the LGD are further explained in note 28.1.2.

### *Restructured financial assets*

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised (refer to note 4.4.4) and ECL are measured as follows.

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

### *Credit-impaired financial assets*

At each reporting date, The Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

In making an assessment of whether an investment in sovereign debt is credit-impaired, The Company considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.

The country's ability to access the capital markets for new debt issuance

### *Presentation of allowances for ECL in the statement of financial position*

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

### *Write-offs*

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally 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. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

## 4.5 Cash

Cash comprise balances on current accounts with banks,

Cash is carried at amortised cost.

## 4.6 Bank balances

In the normal course of business, the Company maintains advances or deposits for various periods of time with banks. Deposits to banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method.

Bank balances are carried net of any allowance for impairment losses.

## 4.7 Loans to customers

Loans are financial assets with fixed or determinable payments, which arise when the Company provides money directly to a debtor with no intention of trading the receivable.

Loans granted by the Company with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the statement of profit or loss and other comprehensive income as losses on origination of assets. Subsequently, the loan carrying value is measured using the effective interest method. Loans to customers that do not have fixed maturities are accounted for under the effective interest method based on expected maturity.

Loans to customers are carried net of any allowance for impairment losses.

## 4.8 Investment securities

The "investment securities" caption in the statement of financial position includes investment securities measured at FVOCI.

For investment securities measured at FVOCI, gains and losses are recognised in OCI, except for the following, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:

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

When debt security measured at FVOCI is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

## 4.9 Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements and faced as the separate balance sheet item. The corresponding liability is presented within amounts due to financial institutions or customers.

## 4.10 Leases

### *Company as a lessee*

For any new contracts entered into, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a

period of time in exchange for consideration'. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company,
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

### *Measurement and recognition of leases*

#### *Company as a lessee*

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

As of 31 December 2022 and 31 December 2021 the Company has designated all of its leases as a low-value asset or lease with a lease term of less than 12 months at the time of initial application of the standard, as under all the terms of the Company lease agreement, the lessee and the lessor, in turn, have the right to terminate the lease early without any obligation to pay fines or penalties, without the consent of the other party (by informing within one to three months prior to termination). The Company also estimates that the costs associated with a possible termination of the lease, such as relocation, identification of another asset that is appropriate to the Company's needs, and integration of a new asset into the Company's operations, are negligible.

#### *Company as a lessor*

As a lessor the Company classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The commencement of the lease is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease. Upon commencement of a finance lease, the Company recognise the net investment in the leases, which is the minimum lease payments receivable discounted at the interest rate implicit in the lease. The difference between the gross investment and its present value is recorded as unearned finance lease income.

Finance lease income is recognised based on pattern reflecting a constant periodic rate of return on the net investment in respect of the finance lease. Initial direct costs are included in the initial measurement of the lease receivables.

When the Company takes possession of finance lease assets under terminated lease contracts, it measures the assets at the lower of net realisable value and amortised historical cost of the inventory.

## **4.11 Property and equipment**

Property and equipment are recorded at historical cost less accumulated depreciation. If the recoverable value of property and equipment is lower than its carrying amount, due to circumstances not considered to be temporary, the respective asset is written down to its recoverable value.

Depreciation is calculated using the straight-line method based on the estimated useful life of the asset. The following depreciation rates have been applied:

	Useful life (years)	Rate (%)
Computer and other communication equipment	3	33.3
Property and office equipment	8	12.5
Other property and equipment	8	12.5
Server	5	20
Property and equipment, low value up to AMD 50,000	1	100

Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is incurred and when it satisfies the criteria for asset recognition. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

## 4.12 Intangible assets

Intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives of 3 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred. Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Company can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Other software development costs are recognised as an expense as incurred.

## 4.13 Repossessed assets

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

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

## 4.14 Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

## 4.15 Equity

### *Share capital*

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

### *Accumulated losses*

Include accumulated loss of current and previous periods.

### *Fair value reserve for investments securities at FVOCI*

This reserve records fair value changes in investment securities at fair value through other comprehensive income.

## 5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

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

### 5.1 Judgements

#### *Classification of financial assets:*

The Company assesses the business model within which the assets are held and also assesses whether the contractual terms of the financial asset are solely payments of principal and interest on the outstanding principal amount (refer to note 4.4.2).

#### *Establish criteria for calculating ECL*

The Company establishes the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determines methodology for incorporating forward- looking information into measurement of ECL and selects and approves of models used to measure ECL.

### 5.2 Assumptions and estimations uncertainty

#### *Measurement of fair values*

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (refer to note 25).

#### *Useful Life of property and equipment*

Useful life evaluation of property and equipment is the result of judgement, based on the experience with similar assets. Future economic benefits are embodied in assets and mainly consumed along with usage.

Management evaluates the remaining useful life according to the asset's current technical condition and estimated period, during which the Company expects to receive benefits. For the evaluation of remaining useful life are considered the following main factors: expectable usage of assets, depending on the operational factors and maintenance program, that is depreciation and technical and commercial depreciation arising from the changes in the market conditions.

### *Extension options for leases*

When the Company has the option to extend a lease, management uses its judgement to determine whether or not an option would be reasonably certain to be exercised. Management considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

In assessing the non-cancellable term, the Company takes into account all the terms of the lease agreement, according to which, the lessee and the lessor each in turn have the right to terminate the lease early without any penalty or commitment for losses, without the permission of another party (by informing within one to three months before termination). The Company also assessed that the costs associated with the possible termination of lease agreements, such as relocation, the identification of another asset underlying the Company's needs (search), and the cost of integrating a new asset into the Company's activities.

### *Impairment of financial instruments*

The Company assesses whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL (refer to note 28.1.2), as well as the key assumptions used in estimating recoverable cash flows (refer to note 4.4.6).

### *Tax legislation*

Armenian tax legislation is subject to varying interpretations (refer to note 23).

## 6 Net interest income

In thousand Armenian drams	2022	2021
<i>Interest income calculated using effective interest rate</i>		
Cash	125	14
Bank balances	5,172	3,566
Loans to customers	102,370	53,425
Investment securities at FVOCI (including the pledged securities)	26,214	80,671
	133,881	137,676
<i>Other interest income</i>		
Finance lease receivables	115	-
Total interest income	133,996	137,676
Borrowings from related party and subordinated debt	22,476	20,225
Loans received from the Treasury under international programs	12,016	1,480
Loans from the CBA through international programs	4,042	-
Loans under repurchase agreements	20,712	63,172
Other interest expense	1,693	830
Total interest expense	60,939	85,707
Total net interest expense	73,057	51,969

## 7 Fee and commission income and expense

In thousand Armenian drams	2022	2021
Fee and commission income	162	-
Total fee and commission income	162	-
Wire transfer fees	578	437
Securities operations	284	84
Payment and settlement transactions	-	350
Total fee and commission expense	862	871

## 8 Impairment losses/(reversal)

In thousand Armenian drams					2022
	Note	Stage 1	Stage 2	Stage 3	Total
Bank balances	13	496	-	-	496
Investment securities	14	(909)	-	-	(909)
Loans to customers	15	4,997	(154)	984	5,827
Other assets	17	418	-	-	418
Total impairment losses/(reversal)		5,002	(154)	984	5,832

In thousand Armenian drams					2021
	Note	Stage 1	Stage 2	Stage 3	Total
Bank balances	13	(894)	-	-	(894)
Investment securities	14	(4,007)	-	-	(4,007)
Loans to customers	15	1,933	662	8,965	11,560
Other assets	17	40	-	-	40
Total impairment losses/(reversal)		(2,928)	662	8,965	6,699

## 9 Personnel expenses

In thousand Armenian drams	2022	2021
Compensations of employees, related taxes included	28,760	24,024
Personnel training expenses	66	44
Total personnel expenses	28,826	24,068

## 10 Other expenses

In thousand Armenian drams

	2022	2021
Depreciation and amortization	2,782	2,375
Fixed assets maintenance	4,371	2,339
Communications	824	848
Advertising costs	701	960
Loan collection fee	1,865	942
Taxes, other than income tax, duties	6,525	6,097
Consulting and other services	1,671	1,200
Security	504	504
Representative expenses	130	-
Office supplies	1,077	866
Expenses of short-term assets leases	13,431	10,691
Entrance fees for professional associations	933	764
AS service fee	4,272	3,823
Other expenses	1,217	1,023
Total other expenses	40,303	32,432

## 11 Income tax recovery

In thousand Armenian drams

	2022	2021
Deferred tax	(425)	(1,919)
Total income tax recovery	(425)	(1,919)

The corporate income tax within the Republic of Armenia is levied at the rate of 18% (2021: 18%). Differences between IFRS and RA statutory tax regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. Deferred income tax is calculated using the principal tax rate of 18%.

Numerical reconciliation between the tax recovery and accounting profit/(loss) is provided below:

In thousand Armenian drams	2022	Effective rate (%)	2021	Effective rate (%)
Profit/(Loss) before tax	152		(44,410)	
Income tax	27	18	(7,994)	18
Non-deductible expenses	1,026	675	6,579	(15)
Net loss from revaluation	(1,478)	(972)	(504)	1
Total income tax recovery	(425)	(279)	(1,919)	4



Deferred tax calculation in respect of temporary differences:

				<b>2022</b>		
In thousand Armenian drams						
	<b>31 December 2021</b>	<b>Recognized in profit or loss</b>	<b>Recognized in other comprehensive income</b>	<b>Net</b>	<b>Deferred tax asset</b>	<b>Deferred tax liability</b>
Loans to customers	150	(958)	-	(808)	-	(808)
Investment securities	5,429	1,331	698	7,458	7,458	-
Property, equipment and intangible assets	(783)	602	-	(181)	-	(181)
Loans and borrowings	(1)	132	-	131	131	-
Other liabilities	2,672	(1,436)	-	1,236	1,236	-
Tax losses carried forward	2,855	754	-	3,609	3,609	-
Deferred tax asset/(liability)	<u>10,322</u>	<u>425</u>	<u>698</u>	<u>11,445</u>	<u>12,434</u>	<u>(989)</u>

				<b>2021</b>		
In thousand Armenian drams						
	<b>2020</b>	<b>Recognized in profit or loss</b>	<b>Recognized in other comprehensive income</b>	<b>Net</b>	<b>Deferred tax asset</b>	<b>Deferred tax liability</b>
Loans to customers	504	(354)	-	150	150	-
Investment securities	800	(721)	5,350	5,429	5,429	-
Property, equipment and intangible assets	(263)	(520)	-	(783)	-	(783)
Loans and borrowings	(1)	-	-	(1)	-	(1)
Other liabilities	924	1,748	-	2,672	2,672	-
Tax losses carried forward	1,089	1,766	-	2,855	2,855	-
Deferred tax asset/(liability)	<u>3,053</u>	<u>1,919</u>	<u>5,350</u>	<u>10,322</u>	<u>11,106</u>	<u>(784)</u>

As of 31 December 2022, the Company recognized deferred tax asset on tax losses carried forward as the Management anticipates the Company will be able to fully realize it in the period prescribed by the RA tax legislation.

## 12 Cash

In thousand Armenian drams	<b>31 December 2022</b>	<b>31 December 2021</b>
Current accounts with Banks	3,052	2,592
Total cash	<u>3,052</u>	<u>2,592</u>

As of 31 December 2022 the amounts of current accounts with Banks in amounts of AMD 3,024 thousand (99%) were due from 2 commercial banks (2021: AMD 2,493 thousand (96.16%) were due from 2 commercial banks).

As of 31 December 2022 and 31 December 2021 the ECLs relating to cash rounds to zero, that's why it's not disclosed here.

Non-cash transactions performed by the Company during 2022 are represented by:

- repayment of AMD 12,143 thousand loan by tangible assets valued at AMD 12,143 thousand Note 15 and 17.

## 13 Bank balances

In thousand Armenian drams	31 December 2022	31 December 2021
Deposits in banks	83,347	33,715
	83,347	33,715
Loss allowances on bank balances	(833)	(337)
Total bank balances	82,514	33,378

Deposits in banks have a maturity of more than 90 days.

As of 31 December 2022 deposits in amount of AMD 83,347 thousand (100%) are placed in two banks (2021: AMD 33,715 thousand (100%), placed in one bank).

An analysis of changes in the ECLs on bank balances as follows:

In thousand Armenian drams	2022	2021
	Stage 1	Stage 1
ECL allowance at the beginning of the year	337	1,231
Net remeasurement of loss allowance	496	(894)
Balance as of 31 December	833	337

## 14 Investment securities pledged under repurchase agreements

In thousand Armenian drams	31 December 2022	31 December 2021
<i>Investment securities measured at FVOCI pledged under repurchase agreements</i>		
RA state bonds	193,033	357,912
Total investment securities at FVOCI pledged under repurchase agreements	193,033	357,912

An analysis of changes in the ECLs on investment securities measured at FVOCI, including pledged under repurchase agreements as follows:

In thousand Armenian drams	2022	2021
	Stage 1	Stage 1
ECL allowance as of 31 July	1,871	5,878
Net remeasurement of loss allowance	(909)	(4,007)
Balance as of 31 December	962	1,871

The above loss allowance is not recognised in the statement of financial position because the carrying amount of debt investment securities at FVOCI is their fair value.

All debt securities have fixed coupons.

As of 31 December 2022 investments securities measured at FVOCI amounted to AMD 193,033 thousand, were pledged as collateral under loan under repurchase agreement (2021: AMD 357,912 thousand) (refer to note 18).

Investment securities measured at FVOCI by effective interest rates and maturity date comprise:

In thousand Armenian drams	31 December 2022		31 December 2021	
	%	%	%	
RA state bonds	9.18	2037	9.18	2037

## 15 Loans to customers

In thousand Armenian drams	31 December 2022			31 December 2021		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL allowance	Carrying amount
<i>Agriculture</i>						
Animal Farming	426,281	(1,161)	425,120	48,446	(5,994)	42,452
Fruit and vegetable production	337,734	(1,219)	336,515	75,578	(756)	74,822
Other agricultural loans	13,098	(100)	12,998	30,715	(349)	30,366
	<u>777,113</u>	<u>(2,480)</u>	<u>774,633</u>	<u>154,739</u>	<u>(7,099)</u>	<u>147,640</u>
<i>Commercial lending</i>						
Trade	83,475	(263)	83,212	26,018	(260)	25,758
Industry	29,752	(118)	29,634	23,400	(233)	23,167
Other commercial loans	31,855	(72)	31,783	3,772	(38)	3,734
Financial lease receivables	26,215	(204)	26,011	-	-	-
	<u>171,297</u>	<u>(657)</u>	<u>170,640</u>	<u>53,190</u>	<u>(531)</u>	<u>52,659</u>
Consumer lending	<u>137,074</u>	<u>(9,228)</u>	<u>127,846</u>	<u>105,195</u>	<u>(4,255)</u>	<u>100,940</u>
Total	<u>1,085,484</u>	<u>(12,365)</u>	<u>1,073,119</u>	<u>313,124</u>	<u>(11,885)</u>	<u>301,239</u>

The finance lease receivables may be analyzed as follows:

In thousand Armenian drams	Not later than 1 year	From 1 to 5 years	More than 5 years	Total
Gross investments in finance lease receivables at 31 December 2022	599	6,592	28,766	35,957
Unearned future finance income on finance leases	(182)	(2,965)	(6,595)	(9,742)
Net investments in finance lease receivables as at 31 December 2022	<u>417</u>	<u>3,627</u>	<u>22,171</u>	<u>26,215</u>

During the year ended 31 December 2022 the Company obtained assets by taking possession of collateral for loans to customers. As of 31 December 2022 the carrying amount of such assets was AMD 12,143 thousand (2021: Nil), Note 17.

As of 31 December 2022, loans to customers in amount of AMD 191,128 thousand (17.6% of gross loan portfolio) due from the ten largest third party entities and parties related with them (2021: AMD 101,806 thousand, 32.5% of gross loan portfolio). An allowance of AMD 895 thousand was made against these loans (2021: AMD 6,541 thousand).

An analysis of changes in gross carrying amounts in relation to loans to customers are as follows:

In thousand Armenian drams	2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at of 1 January	286,989	6,790	19,345	313,124
New assets originated	1,029,595	-	5,500	1,035,095
Assets repaid	(232,732)	(966)	(14,648)	(248,346)
Transfer to Stage 2	(2,608)	2,608	-	-
Transfer to Stage 3	(3,681)	(3,986)	7,667	-
Change in balance of asset from interest and foreign exchange	(8,937)	(105)	-	(9,042)
Recoveries	-	-	9,995	9,995
Amounts written off during the year	-	-	(15,342)	(15,342)
Balance as of 31 December	1,068,626	4,341	12,517	1,085,484

In thousand Armenian drams	2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at of 1 January	102,359	-	-	102,359
New assets originated	342,945	7,000	13,842	363,787
Assets repaid	(149,742)	(1,861)	(844)	(152,447)
Transfer to Stage 2	(1,651)	1,651	-	-
Transfer to Stage 3	(7,046)	-	7,046	-
Change in balance of asset from interest and foreign exchange	124	-	-	124
Recoveries	-	-	54	54
Amounts written off during the year	-	-	(753)	(753)
Balance as of 31 December	286,989	6,790	19,345	313,124

An analysis of changes in ECL allowances in relation loans to customers as follows.

In thousand Armenian drams	2022			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January	2,870	679	8,336	11,885
Transfer to Stage 2	(26)	26	-	-
Transfer to Stage 3	(37)	(399)	436	-
Net remeasurement of loss allowance	(1,789)	(154)	(111)	(2,054)
Net remeasurement of loss allowances on new originated assets	6,786	-	1,095	7,881
Recoveries	-	-	9,995	9,995
Amounts written off during the year	-	-	(15,342)	(15,342)
Balance as of 31 December	7,804	152	4,409	12,365

In thousand Armenian drams

				2021
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as of 1 January	1,024	-	-	1,024
Transfer to Stage 2	(17)	17	-	-
Transfer to Stage 3	(70)	-	70	-
Net remeasurement of loss allowance	(497)	87	2,833	2,423
Net remeasurement of loss allowances on new originated assets	2,430	575	6,132	9,137
Recoveries	-	-	54	54
Amounts written off during the year	-	-	(753)	(753)
Balance as of 31 December	2,870	679	8,336	11,885

As of 31 December 2022 the estimated fair value of loans to customers approximates its carrying value. Refer to note 25.

Maturity analysis of loans to customers is disclosed in Note 27.

Credit, currency and interest rate analyses of loans to customers are disclosed in note 28.

The information on related party balances is disclosed in note 24.

## 16 Property, equipment and intangible assets

In thousand Armenian drams	Computer and other communication equipment	Equipment and office supplies	Vehicles	Intangible assets	Total
<b>Cost</b>					
As of 1 January 2021	3,203	3,711	-	6,625	13,539
Additions	664	1,579	-	-	2,243
As of 31 December 2021	3,867	5,290	-	6,625	15,782
Additions	2,821	-	7,557	1,440	11,818
As of 31 December 2022	6,688	5,290	7,557	8,065	27,600
<b>Accumulated depreciation</b>					
As of 1 January 2021	319	337	-	63	719
Expenses for the period	1,106	811	-	458	2,375
As of 31 December 2021	1,425	1,148	-	521	3,094
Expenses for the year	1,436	596	270	480	2,782
As of 31 December 2022	2,861	1,744	270	1,001	5,876
<b>Carrying amount</b>					
As of 31 December 2021	2,442	4,142	-	6,104	12,688
As of 31 December 2022	3,827	3,546	7,287	7,064	21,724

### Restrictions on title of fixed assets

As of 31 December 2022, the Company does not possess any fixed assets and intangible assets pledged as security for liabilities or whose title is otherwise restricted (2021: either).

### *Fully depreciated items*

As of 31 December 2022 property, equipment and intangible assets include fully depreciated assets at cost of AMD 917 thousand (2021: AMD 846 thousand).

## 17 Other assets

In thousand Armenian drams	31 December 2022	31 December 2021
Receivables under money transfer and clearing systems	444	340
Receivables from the state budget	4,182	836
Other receivables	-	-
Other financial assets	4,626	1,176
Loss allowances	(383)	(57)
Total other financial assets	4,243	1,119
Prepayments	72	2,091
Prepaid value added tax	4,352	-
Repossessed assets	12,143	-
Materials	35	2
Total non-financial assets	16,602	2,093
Total other assets	20,845	3,212

During the year ended 31 December 2022 the Company obtained assets by taking possession of collateral for loans to customers. As of 31 December 2022 the carrying amount of such assets was AMD 12,143 thousand (2021: Nil), Note 15. The Company is intended to sell these assets in a short period.

An analysis of changes in the ECLs on other financial assets as follow:

In thousand Armenian drams	2022	2021
	Stage 1	Stage 1
ECL allowance at the beginning of the period	57	17
Net remeasurement of loss allowance	418	40
Net write-off	(92)	-
Balance as of 31 December	383	57

## 18 Loans under repurchase agreements

As of 31 December 2022 the loans under repurchase agreement were from one commercial bank (2021: two commercial banks).

As of 31 December 2022 loans under repurchase agreements were secured by investments securities measured at FVOCI amounted to AMD 193,033 thousand (AMD 357,912 thousand) (refer to note 14).

## 19 Loans and borrowings

In thousand Armenian drams	31 December 2022	31 December 2021
Loans received from the Treasury under international programs	431,297	92,617
Borrowings from related party	176,545	92,840
Loans from the CBA through international programs	258,208	-
Other loans and borrowings	-	19,213
Total loans and borrowings	866,050	204,670

The Company has not had any defaults of principal, interest or other breaches with respect to its liabilities during the period.

On 3 September 2021 the Company entered into a term change agreement for part of the borrowings from related parties and transferred the subordinated debt (refer to note 20).

Loans received from the Treasury under international programs include loans received from the RAED PIU Structure of the Ministry of Economy of the RA for Agriculture and Rural Development, the loans received from the GFC-PIU and loans received from the GFC Millennium Challenges programs.

Loans from the CBA through international programs includes loans received from the German Armenian Fund (KFW).

## 20 Subordinated debt

On 3 September 2021, the Company entered into a term change agreement for a portion of the related party borrowings and transferred \$100,000 of the amount to a subordinated debt, the maturity date of which is set from 2027. The subordinated debt is provided at an interest rate of 12%.

## 21 Other liabilities

In thousand Armenian drams	31 December 2022	31 December 2021
Amounts payable	2,886	1,917
Due to personnel	3,469	1,970
Total other financial liabilities	6,355	3,887
Tax payable, other than income tax	5,490	982
Received prepayments	1,300	-
Other liabilities	116	15
Total other non-financial liabilities	6,906	997
Total other liabilities	13,261	4,884

## 22 Share capital

As of 31 December 2022 the Company's registered and paid-in share capital was AMD 415,000 thousand (2021: AMD 215,000 thousand). In accordance with the Company's statutes, the share capital consists of 41,500 ordinary shares (2021: AMD 21,500 ordinary shares), all of which have a par value of AMD 10,000 each.

The respective shareholdings as of 31 December 2022 and 31 December 2021 may be specified as follows:

In thousand Armenian drams	31 December 2022		31 December 2021	
	Paid-in share capital	% of total paid-in capital	Paid-in share capital	% of total paid-in capital
Marina Mamikonyan	130,000	31.325	-	-
Manvel Jon Vardanyan	80,000	19.278	50,000	23.256
Artak Harutyunyan	60,000	14.458	50,000	23.256
Jonathan Patrick Konrad Stark	28,000	6.747	20,000	9.302
Karen Petrosyan	21,000	5.060	20,000	9.302
Vladimir Martirosyan	21,000	5.060	20,000	9.302
Karen Hovhannisyan	18,500	4.458	10,000	4.651
Mary Nikoghosyan	17,500	4.217	10,000	4.651
Ani Matevosyan	17,000	4.096	10,000	4.651
Edgar Galstyan	15,000	3.614	15,000	6.977
Armen Ayunc	7,000	1.687	5,000	2.326
Suren Nersisyan	-	-	5,000	2.326
	<u>415,000</u>	<u>100</u>	<u>215,000</u>	<u>100</u>

As of 31 December 2022, the Company did not possess any of its own shares.

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

The share capital of the Company was contributed by the shareholders in Armenian Drams and they are entitled to dividends and any capital distribution in Armenian Drams.

## 23 Contingent liabilities and commitments

### *Tax and legal matters*

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

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

Management believes that the Company has complied with all regulations and has completely 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.



## 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 property or relating to Company 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 Transactions with related parties

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 shareholders, members of Company's Management as well as other persons and enterprises related with and controlled by them respectively.

The Company does not have an ultimate controlling party.

A number of Company's transactions are entered into with related parties in the normal course of business. These include loans and borrowings.

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

In thousand Armenian drams	2022	2021
	Shareholders and parties related with them	Shareholders and parties related with them
<i>Statement of financial position</i>		
<i>Loans and borrowings</i>		
Balance at the beginning of the period	92,840	86,971
Increase during the year	101,673	104,030
Decrease during the year	(17,968)	(98,161)
As of 31 December	176,545	92,840
<i>Subordinated debt</i>		
Balance at the beginning of the period	48,046	-
Increase during the year	-	48,046
Decrease during the year	(8,663)	-
As of 31 December	39,383	48,046
<i>Statement of profit or loss and other comprehensive income</i>		
Interest expense	(22,476)	(20,225)

Compensation of key management personnel was comprised of the following:

In thousand Armenian drams	2022	2021
Salaries and other short-term bonuses	13,982	10,999
Total key management compensation	13,982	10,999

## 25 Fair value measurement

Financial and non-financial assets and liabilities are presented below in accordance with the fair value hierarchy. This hierarchy groups financial and non-financial assets and liabilities into three levels based on the

significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 25.1 Financial instruments that are not measured at fair value

The table below presents the fair value of financial assets and liabilities not measured at their fair value in the statement of financial position and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

In thousand Armenian drams

31 December 2022

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<i>Financial assets</i>					
Cash	-	3,052	-	3,052	3,052
Bank balances	-	82,514	-	82,514	82,514
Loans to customers	-	1,073,119	-	1,073,119	1,073,119
Other assets	-	4,243	-	4,243	4,243
<i>Financial liabilities</i>					
Loans under repurchase agreements	-	177,751	-	177,751	177,751
Loans and borrowings	-	866,050	-	866,050	866,050
Subordinated debt	-	39,383	-	39,383	39,383
Other liabilities	-	6,355	-	6,355	6,355

In thousand Armenian drams

31 December 2021

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<i>Financial assets</i>					
Cash	-	2,592	-	2,592	2,592
Bank balances	-	33,378	-	33,378	33,378
Loans to customers	-	301,239	-	301,239	301,239
Other assets	-	1,119	-	1,119	1,119
<i>Financial liabilities</i>					
Loans under repurchase agreements	-	328,812	-	328,812	328,812
Loans and borrowings	-	204,670	-	204,670	204,670
Subordinated debt	-	48,046	-	48,046	48,046
Other liabilities	-	3,887	-	3,887	3,887

### Amounts due from and to financial institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one

month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates, which are mainly the same as current interest rates.

### *Loans to customers*

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. As of 31 December 2022 discount rates used depend on credit risk of the counterparty and ranged from 12% to 24% (2021:12% to 24%) per annum for loans to customers and 13.4% per annum for finance lease receivables.

The fair value of the impaired loans is calculated based on expected cash flows from the sale of collateral. The value of collateral is based on appraisals performed by independent, professionally-qualified property valuer.

### *Loans and borrowings*

The fair value of loans and borrowings is estimated using discounted cash flow techniques, applying the rates that are offered for loans of similar maturities and terms.

## 25.2 Financial instruments that are measured at fair value

In thousand Armenian drams

31 December 2022

	Level 1	Level 2	Level 3	Total
<i>Financial liabilities</i>				
Investment securities at FVOCI including securities pledged under repurchase agreements	-	193,033	-	193,033
Net fair value	-	193,033	-	193,033

In thousand Armenian drams

31 December 2021

	Level 1	Level 2	Level 3	Total
<i>Financial liabilities</i>				
Investment securities at FVOCI including securities pledged under repurchase agreements	-	357,912	-	357,912
Net fair value	-	357,912	-	357,912

## 26 Offsetting of financial assets and financial liabilities

In the ordinary course of business, the Company performs different operations with financial instruments which may be presented in net amounts when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The table below presents financial assets and financial liabilities that are offset in the statement of financial position or are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

In thousand Armenian drams

31 December 2022

	Gross amount of recognised liabilities	Gross amount of recognised liabilities set of in the statement of financial position	Net amount of financial liabilities in the statement of financial position	Related amounts that are not offset in the statement of financial position		
				Financial instruments	Cash collateral received	Net
<i>Financial liabilities</i>						
Loans under repurchase agreements (note 18)	177,751	-	177,751	193,033	-	(15,282)
Total	177,751	-	177,751	193,033	-	(15,282)

In thousand Armenian drams

31 December 2021

	Gross amount of recognised liabilities	Gross amount of recognised liabilities set of in the statement of financial position	Net amount of financial liabilities in the statement of financial position	Related amounts that are not offset in the statement of financial position		
				Financial instruments	Cash collateral received	Net
<i>Financial liabilities</i>						
Loans under repurchase agreements (note 18)	328,812	-	328,812	357,912	-	(29,100)
Total	328,812	-	328,812	357,912	-	(29,100)

## 27 Maturity analysis of assets and liabilities

The table below shows an analysis of financial assets and liabilities analyzed according to when they are expected to be recovered or settled. Refer to note 28.3 for the Company's contractual undiscounted repayment obligations.

In thousand Armenian drams

31 December 2022

	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
<i>Assets</i>							
Cash	3,052	-	3,052	-	-	-	3,052
Bank balances	-	82,514	82,514	-	-	-	82,514
Investment securities measured at FVOCI pledged under repurchase agreements	193,033	-	193,033	-	-	-	193,033
Loans to customers	22,771	298,843	321,614	721,726	29,779	751,505	1,073,119
Other assets	4,243	-	4,243	-	-	-	4,243
	223,099	381,357	604,456	721,726	29,779	751,505	1,355,961

In thousand Armenian drams

31 December 2022

	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
<i>Liabilities</i>							
Loans under repurchase agreements	177,751	-	177,751	-	-	-	177,751
Loan and borrowings	25,157	190,908	216,065	532,588	117,397	649,985	866,050
Subordinated debt	26	-	26	39,357	-	39,357	39,383
Other financial liabilities	6,355	-	6,355	-	-	-	6,355
	209,289	190,908	400,197	571,945	117,397	689,342	1,089,539
Net position	13,810	190,449	204,259	149,781	(87,618)	62,163	266,422
Accumulated gap	13,810	204,259		354,040	266,422		

In thousand Armenian drams

31 December 2021

	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
<i>Assets</i>							
Cash	2,592	-	2,592	-	-	-	2,592
Bank balances	-	33,378	33,378	-	-	-	33,378
Investment securities measured at FVOCI pledged under repurchase agreements	357,912	-	357,912	-	-	-	357,912
Loans to customers	12,168	103,789	115,957	185,282	-	185,282	301,239
Other assets	1,119	-	1,119	-	-	-	1,119
	373,791	137,167	510,958	185,282	-	185,282	696,240
<i>Liabilities</i>							
Loans under repurchase agreements	328,812	-	328,812	-	-	-	328,812
Loan and borrowings	5,406	107,056	112,462	91,456	752	92,208	204,670
Subordinated debt	32	-	32	-	48,014	48,014	48,046
Other financial liabilities	3,887	-	3,887	-	-	-	3,887
	338,137	107,056	445,193	91,456	48,766	140,222	585,415
Net position	35,654	30,111	65,765	93,826	(48,766)	45,060	110,825
Accumulated gap	35,654	65,765		159,591	110,825		

## 28 Risk management

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Exposure to risk is an integral part of financial activity, and operational risks are an inevitable consequence of activity. However, the Company's objective is to achieve an appropriate balance between risks and benefits and to minimize adverse effects on the Company's financial position.

The Company carries out risk management through continuous processes of identification, valuation and monitoring, as well as other internal control measures.

The Company is exposed to credit risk, liquidity risk, market risk and other operating risk. The market risk includes foreign currency, interest rate and other price risks.

### ***Risk management structure***

The Board is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

### ***Company's Board***

The Board is responsible for the overall risk management approach and for approving the risk strategies and principles.

### ***General Executive Director***

The General Executive Director is responsible for the implementation and monitoring of the risk management process, asset and liability management. The Executive Director is also responsible for Company's liquidity and finance risk.

### ***Risk Committee***

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

### ***Controller***

Risk management processes throughout the Company are audited annually by the Controller function that examines both the adequacy of the procedures and the Company's compliance with the procedures. Controller discusses the results of all assessments with management, and reports its findings and recommendations to the Company's Board.

### ***Risk measurement and reporting systems***

The Company's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models.

### ***Excessive risk concentration***

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location.

## **28.1 Credit risk**

The Company takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in lending activities that lead to finance lease receivables into the Company's asset portfolio. The credit risk management and control are centralised in credit risk management team of Company's Risk Management Department and reported to the Company's Management.

### **28.1.1 Credit quality analysis**

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the

Company's maximum exposure to credit risk on these assets, without taking account of any collateral held or other credit enhancements.

Explanation of internal rating grades is included in note 28.1.2.

In thousand Armenian drams	31 December 2022			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
<i>Cash</i>				
Standard	3,052	-	-	3,052
Gross carrying amount	3,052	-	-	3,052
Loss allowance	-	-	-	-
Net carrying amount	3,052	-	-	3,052
<i>Bank balances</i>				
Standard	83,347	-	-	83,347
Gross carrying amount	83,347	-	-	83,347
Loss allowance	(833)	-	-	(833)
Net carrying amount	82,514	-	-	82,514
<i>Investment securities at FVOCI pledged under repurchase agreements</i>				
Standard	193,033	-	-	193,033
Fair Value	193,033	-	-	193,033
Loss allowance	(962)	-	-	(962)
<i>Loans to customers</i>				
High grade	1,068,626	-	-	1,068,626
Standard grade	-	1,144	-	1,144
Low grade	-	3,197	-	3,197
Non-performing grade	-	-	12,517	12,517
Gross carrying amount	1,068,626	4,341	12,517	1,085,484
Loss allowance	(7,804)	(152)	(4,409)	(12,365)
Net carrying amount	1,060,822	4,189	8,108	1,073,119
<i>Other financial assets</i>				
Standard grade	4,626	-	-	4,626
Gross carrying amount	4,626	-	-	4,626
Loss allowance	(383)	-	-	(383)
Net carrying amount	4,243	-	-	4,243

In thousand Armenian drams	31 December 2021			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Cash				
Standard	2,592	-	-	2,592
Gross carrying amount	2,592	-	-	2,592
Impairment allowance	-	-	-	-
Net carrying amount	2,592	-	-	2,592

In thousand Armenian drams

31 December 2021

Internal rating grade	Stage 1	Stage 2	Stage 3	Total
<b>Bank balances</b>				
Standard	33,715	-	-	33,715
Gross carrying amount	33,715	-	-	33,715
Impairment allowance	(337)	-	-	(337)
Net carrying amount	33,378	-	-	33,378
<b>Investment securities at FVOCI including securities pledged under repurchase agreements</b>				
Standard	357,912	-	-	357,912
Fair Value	357,912	-	-	357,912
Impairment allowance	(1,871)	-	-	(1,871)
<b>Loans to customers</b>				
High grade	286,989	-	-	286,989
Standard grade	-	5,541	-	5,541
Low grade	-	1,249	-	1,249
Non-performing grade	-	-	19,345	19,345
Gross carrying amount	286,989	6,790	19,345	313,124
Impairment allowance	(2,870)	(679)	(8,336)	(11,885)
Net carrying amount	284,119	6,111	11,009	301,239
<b>Other financial assets</b>				
Standard grade	1,176	-	-	1,176
Gross carrying amount	1,176	-	-	1,176
Impairment allowance	(57)	-	-	(57)
Net carrying amount	1,119	-	-	1,119

## 28.1.2 Impairment assessment

The references below show where the Company's impairment assessment and measurement approach is set out in this report. It should be read in conjunction with the Summary of significant accounting policies (Refer to note 4.4.6).

### Significant increase in credit risk

At each reporting date, The Company assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, The Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses.

The Company considers both quantitative and forward-looking qualitative criteria in order to assess whether a significant increase in credit risk has occurred.

However, when information that is more forward-looking than past due status (either on an individual or a collective basis) is not available without undue cost or effort, The Company use past due information to determine whether there have been significant increases in credit risk since initial recognition.

### Criteria for loans to customers

The criteria for loans to customers and finance lease receivables are presented in the following paragraphs. All presented criteria have the same weight in determining a significant increase in credit risk.

- 30 days past due. More than 30 days past due is an indicator of a significant increase in credit risk.



- Past due - other than 30 days. Significant increase in credit risk is considered when although at the reporting date, days past due are less than 30, during the last 6 months there was of least one case of more than 60 days past due.
- Default ('stage 3') during the last 12 months. Significant increase in credit risk is considered when although at the reporting date the outstanding amount of the facility is not classified as default, during the last 12 months it was of least once in stage 3.
- Loans in the probation period. Significant increase in credit risk is considered in case of a forbore performing loan or forbore non-performing loan, which is in the probation period (period after cure period), wherein, the loan should not have overdue days of more than 30 days or any indication of an unlikelihood to pay.

### *Criteria for amounts due from financial institutions*

The criteria for credit institutions and other financial corporations are presented in the following paragraphs. All presented criteria have the same weight in determining a significant increase in credit risk.

- 30 days past due. More than 30 days past due is an indicator of a significant increase in credit risk.
- For correspondent and current accounts 7 days' pas due. More than 7 days past due is an indicator of a significant increase in credit risk.
- Past due - other than 30 days. Significant increase in credit risk is considered when although at the reporting date, days past due are less than 30, during the last 6 months there was of least one case of more than 60 days past due.
- Change notches external credit score/ rate. For this criterion, the corporate rating will be taken into account. A significant change notches in the credit score assigned by the Big Three credit rating agencies (Standard & Poor's, Moody's, and Fitch) is indicative of a significant increase in credit risk. A significant increase in credit risk is taken into account when the S & P rating goes down each time by one level, started from B (S&P) (or the equivalent of Moody's and Fitch). In cases where a financials institutions don't have a corporate rating in a rating agency and The Company does not have an equivalent internal rating system, the corporate default rate corresponding to sovereign rating of the country is taken into consideration.
- Default ('stage 3') during the last 12 months. Significant increase in credit risk is considered when although at the reporting date the outstanding amount of the facility is not classified in default, during the last 12 months it was of least once in stage 3.

### *Criteria for Investment securities*

The criteria for securities are presented in the following paragraphs. All presented criteria have the same weight in determining a significant increase in credit risk.

- Relative change in 12-month PD. A significant change in 12-month PD is considered as factor of changes in lifetime PD. This is indicative of a significant increase in credit risk. This criterion is used when the Entity has an internal credit rating system.
- Relative change in lifetime PD. A significant change in lifetime PD is indicative of a significant increase in credit risk. This criterion is used when the Entity has an internal credit rating system
- Change notches external credit score/ rate. For this criterion, the country's rating will be taken into account government securities or corporate rating will be taken into account for corporate securities. A significant change notches in the credit score assigned by the Big Three credit rating agencies (Standard & Poor's, Moody's, and Fitch) is indicative of a significant increase in credit risk. A significant increase in credit risk is taken into account when the S & P rating goes down one level each time, beginning with B2 (S&P) (or the equivalent of Moody's and Fitch). In cases where an issuers of securities don't have a corporate rating in a rating agency and The Company does not have an equivalent internal rating system, the corporate default rate corresponding to sovereign rating of the country is taken into consideration.

### *Exit criteria from significant deterioration stage*

If none of the indicators that are used by The Company to assess whether significant increase in credit risk has occurred, is present, transfer from stage 2 to stage 1 is performed, with the exception of forbore loans for which a probation period is used.

### *Credit risk grades*

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using

qualitative and quantitative (primarily driven by days past due: Not overdue financial assets are defined high grade, overdue less than 30 days – standard grade, overdue more than 30 days and less than 90 days – substandard or low grade and overdue more than 90 days – non-performing grade) factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

### *Collective or individual assessment*

The Company calculates ECLs either on a collective or an individual basis. Asset classes where the Company calculates ECL on an individual basis include:

- Individually significant loans and finance lease receivables of Stage 3, regardless of the class of financial assets
- The large and unique exposures
- The treasury, trading and interbank relationships such as Due from Banks, Securities pledged under repurchase agreements and debt instruments at amortised cost/FVOCI

Those assets for which ECL does not calculated individually the company groups into segment on the basis of shared credit risk characteristics (mortgage, consumer lending, etc.).

### *Definition of default and cure*

The Company considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

The Company considers interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- lawsuit, execution or enforced execution in order to collect debt,
- license of the borrower is withdrawn,
- the borrower is a co-debtor when the main debtor is in default,
- multiple restructurings on one exposure,
- there are justified concerns about a borrower's future ability to generate stable and sufficient cash flows,
- the borrower's overall leverage level has significantly increased or there are justified expectations of such changes to leverage; equity reduced by 50% within a reporting period due to losses;
- debt service coverage ratio indicates that debt is not sustainable
- loss of major customer or tenant,
- connected customer has filed for bankruptcy,
- restructuring with a material part which is forgiven (net present value (NPV) loss),
- credit institution or leader of consortium starts bankruptcy/insolvency proceedings

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least three consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition. The Company's criterion for 'cure' for ECL purposes is less stringent than the 12 months' requirement for forborne non-performing exposures.

### *Forborne and modified loan*

The Company can make concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Company considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Company would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Company's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur.

Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis.

The Company defines the "cure" period as a 12-month period after forbearance, which is applied for forborne non-performing exposures. Given the fact that it is impossible to determine financial difficulties immediately after forbearance, it is necessary to use the "cure" period to determine whether the loan was effectively cured. All forborne non-performing loans must remain at stage 3 after the forbearance date, despite the behavior of the loan (no overdue days, etc.).

The Company defines the probation period as 24-month period after "cure" period, which is applied for forborne performing exposures (excluding any grace period). Once an asset has been classified as forborne performing exposures, it will remain forborne for a minimum 24-month probation period.

In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities has to be considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contract that is more than 30 days past due.

If modifications are substantial, the loan is derecognised, as explained in note 4.4.4.

### *Probability of Default (PD)*

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12mECL), or over the remaining lifetime (LTECLs) of the obligation.

The Lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans. The maturity profile should be based on historical observed data.

### *Loss given default (LGD)*

LGD is determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

### *Exposure at default (EAD)*

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For products with contractual terms, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by a borrower. Early repayment/refinance assumptions are also incorporated into the calculation.
- For revolving products, the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilization band, based on analysis of the Company's recent default data.

### *Forward looking information*

An overview of the approach to estimating ECLs is set out in note 4.4.6, estimates and assumptions. To ensure completeness and accuracy, the Company obtains the data used from third party sources (WB, CBA, Government of RA and etc.). In order to generate the influence of the macroeconomic factors, the Company determining the weights to the selected macroeconomic factors and to the multiple scenarios (Base, Upside and Downside), which are predicted.

## 28.1.3 Risk concentrations

### *Geographical sectors*

Credit risk assets are located in the RA

### *Industry sectors*

As of 31 December 2022 and 31 December 2021 the Company's assets exposed to credit risk are included in bank balances, cash and investment securities are concentrated in the financial sector. Loans to customers are mainly concentrated in the agriculture and trade sectors (see detailed analysis in notes 15).

## 28.1.4 Collateral and other credit enhancement

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are in place covering the acceptability and valuation of each type of collateral.

The main types of collateral obtained are, as follows:

- For loan to customer - movable properties and residential properties

Management will monitor the market value of collateral and will request additional collateral in accordance with the underlying agreement.

The Company did not hold any financial instruments for which no loss allowance is recognised because of collateral.

In addition, in order to minimise the credit loss, the Company will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans.

The analysis of gross loan portfolio of loans to customers by collateral is represented as follows:

In thousand Armenian drams	31 December 2022	31 December 2021
Loans collateralized by real estate	663,584	105,126
Loans collateralized by movable property	305,628	48,192
Unsecured loans	116,272	159,806
Total loans to customers (gross)	1,085,484	313,124

The amounts presented in the table above are carrying values of the loans, and do not necessarily represent the fair value of the collaterals. Estimates of market values of collaterals are based on valuation of the collateral at the date when loans were provided. Generally, they are not updated unless loans are assessed as credit-impaired.

As of 31 December 2022 the net carrying amount of credit-impaired loans to customers amounted to AMD 12,517 thousand (2021: AMD 19,345 thousand) and the amount of collateral (mainly real estate and vehicles) for the same loans amounted to AMD 14,891 thousand (2021: AMD 13,500 thousand).

## 28.2 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Company classifies exposures to market risk into either trading or non-trading portfolios. As of 31 December, 2022 the Company does not hold trading portfolio. Non-trading positions are managed and monitored using other sensitivity analyses. Except for the concentrations within foreign currency, the Company has no significant concentration of market risk.

### 28.2.1 Market risk

#### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As of 31 December 2022 the Company did not possess any financial instruments with variable interest rates.

#### *Average effective interest rates*

The table below displays average interest rates for interest earning assets and interest-bearing liabilities as of 31 December 2022 and 31 December 2021. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2022		2021	
	Average effective interest rate, %		Average effective interest rate, %	
	AMD	USD	AMD	USD
<b><i>Interest earning assets</i></b>				
Bank balances	9.07	-	8.36	3.50
Investment securities	9.18	-	9.18	-
Loans to customers	18.67	18.89	24.38	19.94
<b><i>Interest bearing liabilities</i></b>				
Loans under repurchase agreements	12.45	-	9.40	-
Loans and borrowings	8.36	7.10	9.63	7.00
Subordinated debt	-	12.67	-	12.00

#### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The tables below indicate the currencies to which the Company had significant exposure at 31 December 2022 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculated the effect of a reasonably possible movement of the currency rate against the Armenian dram, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges, and equity instruments).

A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

In thousand Armenian drams

Currency	31 December 2022	
	Change in currency rate in %	Effect on profit before tax
USD	5	(1,102)
USD	(5)	1,102

The Company's exposure to foreign currency exchange risk is as follow:

In thousand Armenian drams

	31 December 2022		
	Armenian Dram	Freely convertible currencies	Total
<i>Assets</i>			
Cash	745	2,307	3,052
Bank balances	82,514	-	82,514
Investment securities at FVOCI including securities pledged under repurchase agreements	193,033	-	193,033
Loans to customers	1,007,465	65,654	1,073,119
Other assets	4,243	-	4,243
	1,288,000	67,961	1,355,961
<i>Liabilities</i>			
Loans under repurchase agreements	177,751	-	177,751
Loans and borrowings	815,438	50,612	866,050
Subordinated debt	-	39,383	39,383
Other liabilities	6,355	-	6,355
	999,544	89,995	1,089,539
Net position as of 31 December 2022	288,456	(22,034)	266,422
Total financial assets	648,108	48,132	696,240
Total financial liabilities	434,816	150,599	585,415
Net position as of 31 December 2021	213,292	(102,467)	110,825

Freely convertible currencies represent mainly US dollar amounts.

## 28.3 Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Company maintains a portfolio of highly marketable government bonds that can be easily liquidated in the event of an unforeseen interruption of cash flow. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company.

The liquidity management of the Company requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring balance sheet liquidity ratios against regulatory requirements.

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December based on contractual undiscounted repayment obligations. See note 27 for the expected maturities of these liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

In thousand Armenian drams

31 December 2022

	Demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
<i>Non-derivative financial liabilities</i>						
Loans under repurchase agreements	177,751	-	-	-	177,751	177,751
Loans and borrowings	27,252	240,863	629,548	131,406	1,029,069	866,050
Subordinated debt	414	4,295	55,510	-	60,219	39,383
Other liabilities	6,355	-	-	-	6,355	6,355
Total undiscounted non-derivative financial liabilities	211,772	245,158	685,058	131,406	1,273,394	1,089,539

In thousand Armenian drams

31 December 2021

	Demand and less than 1 month	From 1 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow	Carrying amount
<i>Non-derivative financial liabilities</i>						
Loans under repurchase agreements	328,812	-	-	-	328,812	328,812
Loans and borrowings	7,842	119,053	96,778	756	224,429	204,670
Subordinated debt	32	5,761	23,044	50,421	79,258	48,046
Other liabilities	3,887	-	-	-	3,887	3,887
Total undiscounted non-derivative financial liabilities	340,573	124,814	119,822	51,177	636,386	585,415

## 28.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the Board of Directors. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;

- compliance with regulatory and other legal requirements, including the minimal requirements of the Central Bank of Armenia on internal control system;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- Risk mitigation.

## 29 Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

In thousand Armenian drams

	Loans and borrowings	Subordinated debt	Total
Carrying amount at 1 January 2021	99,982	-	99,982
Proceeds	201,362	-	201,362
Redemption	(45,841)	-	(45,841)
Foreign currency translation	(3,660)	(1,319)	(4,979)
Other	2,192	-	2,192
Subordinated debt	(49,365)	49,365	-
Carrying amount at 31 December 2021	204,670	48,046	252,716
Proceeds	479,041	-	479,041
Redemption	192,357	-	192,357
Foreign currency translation	(13,261)	(8,663)	(21,924)
Other	3,243	-	3,243
Carrying amount at 31 December 2022	866,050	39,383	905,433

## 30 Capital adequacy

The Central Bank of Armenia has set the minimum value of the total normative capital for credit organizations amounting to AMD 150,000 thousand.

The Company maintains an actively managed capital base to cover risks inherent in the business.

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and maximize the profit of participants.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities.

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings including current year profit, and general reserve.

As of 31 December 2022 and 31 December 2021 the amount of regulatory capital, risk waited assets and capital adequacy ratio calculated in accordance with the requirements of Central Bank of Armenia are provided below.



In thousand Armenian drams	Unaudited	
	31 December 2022	31 December 2021
Tier 1 capital	317,492	202,549
Tier 2 capital	-	-
Total regulatory capital	317,492	202,549
Risk-weighted assets	1,143,330	428,841
Capital adequacy ratio	27.8%	47.2%

The Company has complied with all externally imposed capital requirements through the period.

### 31 Events after the reporting period

During 2023 the shareholders of the Company increased its share capital by issuing additional ordinary shares (with a nominal value of AMD 10,000) in amount of AMD 140,000 thousand.