“Invia Investments” CJSC

Financial statements and
Independent auditor's report

For the period from May 30, 2023 (commencement date) to
December 31, 2023

Contents

3	Independent auditor's report
6	Statement of comprehensive income
7	Statement of financial position
8	Statement of cash flows
9	Statement of changes in equity
10	Index to notes forming part of the financial statements
11	Notes forming part of the financial statements

Location of the company:	Republic of Armenia
Legal form:	Closed joint-stock company
Principal activities description:	The nature of the Company’s principal activities is presented in Note 1
Executive Director:	Anahit Shakaryan

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INDEPENDENT AUDITOR'S REPORT

Presented to the shareholders and the board of "Invia Investments" CJSC.

Opinion

We have audited the financial statements of "Invia Investments" CJSC ("the Company"), which comprise the statement of financial position as at 31 December 2023, statements of comprehensive income, cash flows and changes in equity for the period from 30 May 2023 (commencement date) to 31 December 2023, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Company as at 31 December 2023, as well as the financial performance, and cash flows for the period from 30 May 2023 (commencement date) to 31 December 2023 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted the audit in accordance with the 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 this report.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* and we have fulfilled other ethical responsibilities in accordance with the requirements of the IESBA Code.

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

Responsibilities of the management and those charged with governance towards the Financial Statements

Company 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 going concern, disclosing, as applicable, matters related to going concern, and preparing financial statements using the going concern basis unless management either intends to liquidate the Company or to cease operation, 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 Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from misstatement in all material respects, 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 guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error

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and are considered material if, individually or in aggregate, 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 procedure. 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 going concern basis and, based on the audit evidence obtained assess whether a material uncertainty exists relating to events or situations that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that such 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 conclusion. However, future events or situations 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.

"BDO Armenia" CJSC

Vahagn Sahakyan, FCCA
Director

David Yedigaryan
Head of Audit

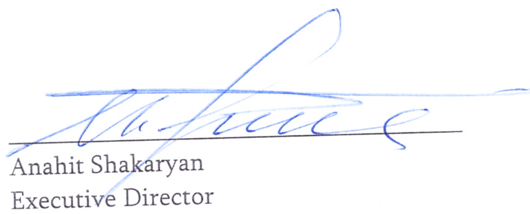
April 30, 2024

Yerevan

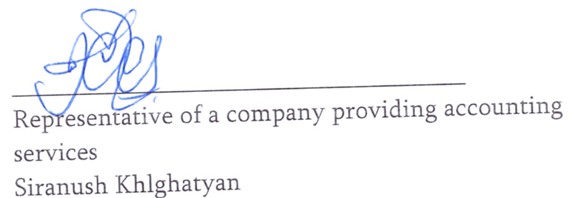
"Invia Investments" CJSC
Statement of comprehensive income
for the period started on 30 May 2023 (commencement date) to 31 December 2023

	Note	2023 AMD'000
Interest income	5	9,066
Interest expense	5	(4,938)
Net interest income		**4,128**
Net commissions earned		41,785
Net gain from financial instruments at fair value through profit or loss		12,611
Net gain on sale of foreign currency and exchange rate difference	6	14,806
Net other operating loss		(6,622)
Operating profit		**66,708**
Personnel expenses		(39,649)
Other general administrative expenses	7	(38,494)
Loss before tax		**(11,435)**
Profit tax refund	8	2,040
Loss of the year		(9,395)
Other comprehensive income		-
Total comprehensive financial performance for the year		(9,395)

The financial statements were approved and signed by the Company's management on April 30, 2024. Notes to the financial statements are an integral part of the financial statements.



Anahit Shakaryan
Executive Director



Representative of a company providing accounting services
Siranush Khlghatyan

“Invia Investments” CJSC
Statement of financial position as at 31 December

	Note	2023 AMD’000
ASSETS		
Cash and cash equivalents	9	38,230
Amounts due from financial institutions, organizations and individuals		14,242
Investment securities at fair value through profit or loss		
- Collateralized against sale and repurchase	10	324,668
- Held by the company	10	245,744
Deferred tax assets		2,040
Fixed assets	11	4,086
Other assets		6,235
TOTAL ASSETS		**635,245**
LIABILITIES		
Amounts payable to financial organizations	12	282,817
Liabilities for taxes and other mandatory fees		3,709
Other liabilities		7,114
TOTAL LIABILITIES		**293,640**
EQUITY		
Share capital	13	351,000
Accumulated loss		(9,395)
TOTAL EQUITY		**341,605**
TOTAL LIABILITIES AND EQUITY		**635,245**

"Invia Investments" CJSC
Statement of cash flows
for the period started on 30 May 2023 (commencement date) to 31 December 2023

	Note	2023 AMD'000
Net cash flows before changes in operating assets and liabilities		
Interest receipts		3,695
Interest payments		(4,010)
Fees and commissions received		67,984
Fees and commissions paid		(41,902)
Other income received		22,762
Other expenses paid		(8,962)
Salaries and other equivalent payments paid		(28,486)
Other general administrative expenses		(157)
Cash flows from changes in operating assets and liabilities		
Decrease (increase) in available-for-sale financial assets at fair value through profit or loss		(553,095)
Decrease (increase) in other operating assets		(10,495)
Decrease (increase) in other operating liabilities		(22,258)
Net cash flow from operating activities before profit tax paymnet		**(574,924)**
Profit tax		-
Cash flow from operating activities		
Purchase of property, equipment and intangible assets		(6,510)
Net cash flow from investing activities		**(6,510)**
Cash flows from financing activities		
Received borrowings increase		268,428
Stock issued		351,000
Net cash flow from financing activities		**619,428**
Net flows of total cash and cash equivalents		**37,994**
Cash and cash equivalents as at the beginning of the year		-
Exchange rate differences in cash		236
Cash and cash equivalents as at the end of the year		**38,230**

“Invia Investments” CJSC
Statement of changes in equity
for the period started on 30 May 2023 (commencement date) to 31 December 2023

	Statutory capital AMD’000	Retained earnings AMD’000	TOTAL AMD’000
30 May 2023 (commencement date)	-	-	-
Increase of statutory capital	351,000	-	351,000
Loss for the reporting period	-	(9,395)	(9,395)
31 December 2023	**351,000**	**(9,395)**	**341,605**

CONTENTS

1. General information 10

2. Basis of preparation 10

3. Critical accounting estimates and judgments 11

4. Financial instruments 12

5. Net Interest Income 19

6. Net gain on sale of foreign currency 19

7. Other general administrative expenses 20

8. Profit tax expense 20

9. Cash and cash equivalents 21

10. Investment securities 21

11. Amounts payable to financial institutions 22

12. Share capital and reserves 22

13. Contingent cases 22

14. Related party transactions 23

15. Fair value measurement disclosures 23

16. Summary of accounting policies 24

17. Events after the reporting period 34

1. General information

"Invia Investments" CJSC (the Company) was established on May 30, 2023, in the Republic of Armenia as a closed joint stock company. The Company received an Investment Services License from the Central Bank of the Republic of Armenia on May 30, 2023. The principal activity of the Company is to carry out securities transactions on its own behalf and for its own account. The Company's activities are regulated by the Central Bank of the Republic of Armenia (CBA).

The legal address of the Company is: Area 24,25, Building 15, Pavstos Buzand Street, Yerevan, Republic of Armenia.

The owners of the Company's shares with equal voting rights are Aram Kaifajyan: 49%, "RRSG Inc" company: 9.99%, Steven Polyak: 14.01%, Gevorg Patvakanyan: 9%, Arman Melkonyan: 9%, Samvel Sahakyan: 9%.

Details of related party transactions are presented in Note 15.

Armenian business environment

The Company operates in Armenia. Therefore, the Company's activities are influenced by the economy and financial markets of Armenia with developing market characteristics.

Legal, tax, and regulatory systems continue to develop but are subject to differing interpretations and frequent changes, which, along with other legal and financial obstacles, pose additional challenges for organizations operating in Armenia.

The war in the Republic of Artsakh and the ongoing politics for disputed territories have had a significant impact on the economy of Armenia. The current stage can be described as a period of stable recovery.

This operating environment has a significant impact on the Company's operations and financial condition. The Company takes the necessary measures to ensure the stability of the Company's activities, however, based on the unpredictability of development, Management is not able to make a reliable assessment of the impact such circumstances will have on the Company's financial position in subsequent years.

The financial statements reflect Management's assessment of the business environment impact on the Company's operations and financial position. The future business environment may differ from management's assessment.

2. Basis of preparation

The financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards issued by the International Accounting Standards Board, including International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and their interpretations (collectively, IFRS Accounting Standards).

The principal provisions of the accounting policy adopted in the preparation of the financial statements are set out in Note 16. They have been consistently applied to all the periods presented, unless otherwise stated.

The financial statements are presented in Armenian Drams (AMD), which is also the Company's functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates and judgments. The areas where significant judgments and estimates have been made and their effect are disclosed in Note 3.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for assets measured through other comprehensive income that are accounted for at fair value.

Changes in accounting policies

The Company has applied the following standards and changes for the first time for its annual accounting period from May 30, 2023.

- *Definition of accounting estimates (IFRS 8 change)*
- *Accounting policy disclosures (Change 2 to IAS 1 and IFRS Practice Statement)*
- Definition of accounting estimates (Changes in the accounting policies of IAS 8, changes in accounting estimates and errors)

Certain changes to IFRS Accounting Standards published that are not mandatory for accounting periods ending December 31, 2023 have not been early adopted by the Company. These changes are not expected to have a material impact on the Company in the current or future accounting periods.

3. Critical accounting estimates and judgments

Information on the judgments, estimates and assumptions made in applying the accounting policies that have the most significant effect on the amounts recognized in the financial statements is presented below:

- *classification of financial assets* - assessment of the business model under which the assets are held and an assessment of the contractual provisions to determine whether the cash flows arising at certain dates are payments of principal amount and interest only on the outstanding principal amount - Note 16;
- *Impairment of financial instruments* - assessment whether a financial asset's credit risk has increased significantly since initial recognition, grouping assets with similar credit risk characteristics, estimating expected credit losses, including using forward-looking information;
- *Useful life of fixed assets* - assessment of the useful life of fixed assets is a result of judgment based on experience with such assets. Future economic benefits are embodied in assets and consumed primarily as they are used. However, factors such as operational, technical or commercial depreciation often lead to a reduction in the asset's economic benefits. Management estimates the remaining useful life in accordance with the current technical condition of the asset and the estimated period during which the Company expects to receive benefits. The following main factors are taken into account for the estimation of the remaining useful life: expected use of assets, depreciation depending on operational factors and maintenance program, and technical and commercial depreciation arising from changes in market conditions.

Fair value measurement

A number of assets and liabilities included in the Company's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the "fair value hierarchy").

- *Level 1: Quoted prices in active markets for identical assets and liabilities (unadjusted)*
- *Level 2: Observable direct or indirect inputs other than Level 1 quoted prices.*
- *Level 3: Unobservable inputs (i.e., not derived from market data).*

The classification of assets and liabilities into the above levels is based on the lowest level of the inputs used that have a significant effect on the fair value measurement. Transfers between levels are recognized in the period they occur.

4. Financial instruments

Through its operations, the Company may be exposed to the following risks related to financial instruments:

- Credit risk,
- Fair value or cash flow interest rate risk,
- Foreign exchange risk,
- Liquidity risk.

In common with all other businesses, the Company may be exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Company's exposure to financial instrument risks, its objectives, policies, and processes for managing those risks or the methods used to measure them from previous periods.

(a) Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risks arise, are as follows:

- Amounts due from financial institutions, organizations and individuals,
- Cash and cash equivalents,
- Deposits,
- Investment securities,
- Amounts payable to financial organizations,
- Borrowings received,
- Lease liabilities.

(b) Financial instruments by category

The balances presented in the financial statements relate to the following groups of assets and liabilities:

Financial assets measured at amortized cost

	2023 AMD'000
Loans provided	-
Claims against banks	-
Cash and cash equivalents	38,232
Investment securities	-
	38,232

Financial assets measured at fair value through other comprehensive income

	2023 AMD'000
Investment securities	570,412
	570,412

Financial assets

	Financial assets measured at amortized cost 2023 AMD'000	Measured at fair value through profit or loss 2023 AMD'000
Cash and cash equivalents	38,230	-
Amounts due from financial institutions, organizations and individuals	14,242	-
Investment securities	-	570,412
Total financial assets	**52,472**	**570,412**

Financial liabilities

	Measured at amortized cost 2023 AMD'000
Amounts payable to financial organizations	282,817
Total financial liabilities	**282,817**

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, amounts due from financial institutions, organizations and individuals, deposits, investment securities measured at amortized cost, borrowings provided and received, amounts payable to financial organizations, and lease liabilities, the carrying value of which approximates fair value due to their short-term nature.

For details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value which are classified in level 2 of the fair value hierarchy, refer to Note 16.

General objectives, policies and processes

The goal of the Company is to establish a policy that will to the extent possible reduce risk without affecting its competitiveness and flexibility. Bellow are the details of that policy.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations.
Credit risk is primarily related to securities and foreign exchange transactions, and investment activities that add investment securities to the Company's asset portfolio.
The main activity of the Company is the purchase and sale of securities and foreign currency. To avoid significant financial losses, the Company uses various methods to determine and effectively manage credit risks.
The carrying amounts of the Company's financial assets best represent the maximum exposure to credit risk related to them.

For details on the input data, assumptions and methods used for impairment assessment refer to accounting policies Note 17.8.

Significant increase in credit risk

To determine whether the default risk of a financial instrument has increased significantly since initial recognition, the Company considers reasonable and justifiable information that is relevant and available without undue cost or effort. The assessment includes quantitative and qualitative data, as well as analysis based on the Company's past experience and forward-looking information.

The Company uses three criteria to determine whether a significant increase in credit risk has occurred:

- a quantitative test based on the change in the probability of default, which was estimated based on the migration matrices of ratings of "S&P" and "Moody's" rating agencies,
- qualitative indicators, and
- 30-day maturity limit for loans granted and 5-day limit for other financial instruments, including cash and cash equivalents.

Credit risk rating levels

The Company assigns a credit risk rating level to a financial asset exposed to credit risk based on various inputs used to predict default risk. The credit risk rating levels are set on the basis of qualitative and quantitative factors that indicate the risk of default and coincide with the rating levels published by "S&P" and "Moody's" rating agencies. These factors vary depending on the nature of the instrument subject to credit risk and the type of borrower.

Each instrument exposed to credit risk is assigned a credit risk rating level at initial recognition based on available information about the borrower. Instruments exposed to credit risk are regularly monitored, as a result of which the credit risk rating level of the instrument may change.

As a rule, the following information is used for monitoring:

- Information obtained during periodic review of customer documents, such as audited financial statements, management reports, budgets and forecasts. Indicators of particular focus include: gross profit, leverage ratio, debt service ratio, compliance with covenants, management quality, changes in senior management personnel,
- Data from rating agencies, press articles, information about changes in external ratings,
- Application for revision of the loan agreement terms and application fulfillment,
- Actual and anticipated significant changes in the borrower's political, legislative and technological environment or their activity.

Creation of the term structure of the probability of default. The credit risk rating level is used as the primary input data when creating the term structure of the probability of default for financial instruments exposed to debt risk.

The Company collects information on the performance and default of its financial instruments exposed to credit risk, which is analyzed by service and borrower type, as well as by credit risk rating level. The Company sets the minimum amount of probability of default, which is equal to the rating level of the country where the borrower operates. The probability of default on government bonds corresponds to the rating level of the country.

Determination of significant increase in credit risk

At each reporting date, the Company assesses whether there has been a significant increase in credit risk since initial recognition.
The characteristics of the financial instrument and the borrower and the geographic region are considered in determining the significance of the increase in credit risk.

As a general indicator it is considered that there has been a significant increase in the credit risk of an instrument exposed to credit risk since initial recognition if the following are determined based on the Company's quantitative and qualitative modeling methods:

- Borrower's credit risk rating has deteriorated by 2 digits since initial recognition;
- The borrower has more than 30 days overdue liability on loans and 5 days overdue liability on other financial instruments, including cash and cash equivalents;
- Revision of loan terms due to borrower's insolvency that does not result in default;
- Management's discretion based on qualitative information about the client received during the standard monitoring process and from other sources (in particular, inclusion in the list under special supervision, adverse macroeconomic factors related to financial activity, etc.).

The Company considers an asset overdue more than 30 days in the case of borrowings and 5 days overdue in the case of other financial instruments, including cash and cash equivalents, as a limitation indicating a significant increase in credit risk. The number of days past due is determined by counting the days from the first day when payment was not received in full. Payment dates are determined without taking into account the grace period that may be granted to the borrower.

If there is evidence that there is no longer a significant increase in credit risk compared to initial recognition, the loss allowance for the instrument is remeasured to 12-month expected credit losses.

The Company monitors the effectiveness of the criteria used to determine a significant increase in credit risk through regular reviews to ensure that:

- the criteria make it possible to determine a significant increase in credit risk before default on a financial instrument exposed to credit risk;
- the criteria are not met at the point in time when the asset becomes more than 30 days past due;
- the average time between detecting a significant increase in credit risk and default is considered reasonable;
- financial instruments exposed to credit risk are not, as a rule, directly transferred from the portfolio for which the reserve is measured at the amount of 12-month expected credit losses, the portfolio of debt-impaired financial instruments; and
- there is no unwarranted variability in the loss reserve when the instrument is transferred from a portfolio measured at 12-month expected credit losses (Stage 1) to a portfolio measured over the life of the financial instrument (Stage 2).

Definition of default

The Company considers that a financial asset has defaulted if:

- it is unlikely that the borrower will fully fulfill his/her liabilities to the Company unless the Company takes such actions as foreclosure (if any);
- any of the borrower's material credit liabilities to the Company are more than 90 days past due, or
- it becomes likely that the terms of the asset will be renegotiated as a result of the borrower's bankruptcy due to the borrower's inability to meet credit liabilities.

In assessing whether a borrower has defaulted, the Company considers the following:

- qualitative indicators, such as breach of covenants,
- quantitative indicators, such as the past due status and failure to fulfill another liability of the same issuer to the Company and
- data processed within the Company and received from external sources.

The input data used to assess whether a financial instrument is in default, and its significance may change over time to reflect changes in circumstances.

Inclusion of forward-looking information

As estimated by management, the effect of including forward-looking information is immaterial.

Measurement of expected credit losses

When measuring expected credit losses, the term structures of the following variables act as key input data:

- probability of default,
- loss in case of default,
- credit amount at the time of default.

Expected credit losses for Stage 1 instruments are calculated by multiplying the 12-month probability of default by the amount of the loss at default and the credit amount at the time of default.

Credit losses expected for the entire term are calculated by multiplying the probability of default for the entire term by the amount of the loss at default and the credit amount at the time of default.

The methodology for estimating the probability of default is presented above in section "Establishing the Term Structure of the Probability of Default".

The Company estimates the loss arising in case of default based on the information published by "S&P" and "Moody's" rating agencies.

The credit amount at the time of default is the expected credit amount in the event of default. The Company calculates the credit amount at the time of default based on the current credit amount of the contractual party and the possible changes of this amount as a result of depreciation and allowed by the contract. The credit amount for a financial asset at the time of default is the gross book value of the latter at the time of default. For financial guarantees, the credit amount at the time of default is the amount payable at the time of execution of the financial guarantee.

As set out above, and provided that the maximum 12-month probability of default indicator is used for Stage 1 financial assets, the Company measures expected credit losses by taking into account the default risk over the maximum contractual period (including all borrower extension options) during which it is exposed to credit risk, even if the Company considers a longer period for credit risk management purposes. The maximum contractual period lasts until the date when the Company has the right to demand repayment of the loan or terminate the guarantee.

Market risk

Market risk arises from the Company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other market factor risks).

The Company manages market risk by establishing open position limits for financial instruments, interest rate change periods, foreign currency positions and loss limits, which are regularly monitored, reviewed and approved by the Executive Director.

Interest rate risk

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

Average effective interest rate

The table below stets out the average effective interest rates for the Company's interest-bearing assets and liabilities as at December 31, 2023. These interest rates represent the approximate return on assets and liabilities at maturity.

	2023 average effective interest rate, % AMD
Interest-bearing assets	
Investment securities measured at fair value through profit or loss	9.25-9.6%
Interest bearing liabilities	
Amounts payable to financial organizations	10%

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial liabilities that will be settled by providing cash or other financial assets. Liquidity risk arises when the maturities of assets and liabilities do not match.

The matching and/or controlled mismatch of maturities and interest rates of assets and liabilities is a fundamental factor in liquidity management. Full matching of asset and liability maturities is not common for financial organizations due to the diversity of arranged and carried out transactions and the uncertainty of timing. Inconsistency offers an opportunity to increase profitability, but it can also increase the risk of incurring losses. The purpose of the Company's liquidity risk management is to ensure at any time all the necessary steps to meet the liabilities related to cash flows within the specified time periods.

The liquidity risk management policy requires:

- forecast of cash flows by major currencies and consideration of the level of required liquid assets related to these cash flows,
- credit concentration and structure management,
- development of credit financing attraction programs,
- maintenance of a portfolio of highly liquid assets that can be easily liquidated as security in the event of cash flow disruptions,
- development of programs ensuring continuity of liquidity and funding,
- control of compliance of liquidity indicators with legal requirements.

The table below sets out the undiscounted cash-flows of financial assets and liabilities according to the earliest contractual maturity. The aggregate cash inflows and outflows set out in the tables represent the undiscounted contractual cash-flows for financial assets, liabilities or loan commitments.

	On demand and up to 3 months AMD'000	3 to 12 months AMD'000	1 to 5 years AMD'000	Over 5 years AMD'000	Indefinite AMD'000	Total AMD'000
ASSETS						
Cash and cash equivalents	38,230	-	-	-	-	38,230
Bank deposits	-	-	-	-	-	-
Amounts due from financial institutions, organizations and individuals,	14,242	-	-	-	-	14,242
Investment securities at fair value through profit or loss	-	305,681	18,987	245,744	-	570,412
Deferred tax assets	-	-	-	-	2,040	2,040
Fixed assets	-	-	-	-	4,086	4,086
Other assets	-	-	-	-	6,235	6,235
TOTAL ASSETS	**52,472**	**305,681**	**18,987**	**245,744**	**12,361**	**635,245**
LIABILITIES						

	On demand and up to 3 months AMD'000	3 to 12 months AMD'000	1 to 5 years AMD'000	Over 5 years AMD'000	Indefinite AMD'000	Total AMD'000
Amounts payable to financial organizations	(282,817)	-	-	-	-	(282,817)
Tax liabilities	(3,709)	-	-	-	-	(3,709)
Other liabilities	(7,114)	-	-	-	-	(7,114)
TOTAL LIABILITIES	**(293,640)**	**-**	**-**	**-**	**-**	**(293,640)**
Net position	**(241,168)**	**305,681**	**18,987**	**245,744**	**12,361**	**341,605**

The Company believes that the negative liquidity position is manageable by renewing the repurchase agreements, as the latter are secured by highly liquid financial instruments, as well as through the sale of debt securities, if necessary.

Capital disclosures

The Company manages its capital to ensure the continued operation of the Company and the profits of the participants.
The Company's capital size requirements are defined and controlled by the Central Bank of the Republic of Armenia.

5. Net interest income

	2023 AMD'000
Interest income calculated using the effective interest method	
Investment securities measured at fair value	8,939
Other	127
Total interest income	**9,066**
Interest expense	
Amounts payable to financial organizations	(4,938)
Total interest expense	**(4,938)**
Net interest income	**4,128**

6. Net gain on sale of foreign currency

	2023 AMD'000
Profit from buying and selling foreign currency	23,142
Losses from buying and selling foreign currency	(8,336)
Net gain on sale of foreign currency and exchange rate difference	**14,806**

7. Other general administrative expenses

	2023 AMD'000
Utilities and rent	13,242
Professional services	16,951
Depreciation	2,424
Security service	57
Other	5,820
Total	**38,494**

8. Income tax expenses

	2023 AMD'000
Deferred tax income	2,040
Total	**2,040**

In 2023, the applicable tax rate for current and deferred taxes is 18%.

The effective tax rate reconciliation is set out below:

	2023 AMD'000	
Loss before tax	(11,435)	%
Calculation of profit tax at the specified tax rate	2,058	(18.00)%
Non-deductible expenses/(non-taxable income)	(18)	0.16%
Profit tax	2,040	(17.84)%

Details of deferred tax assets are provided below:

	Assets	Liabilities	Net	Charged to profit or loss
	2023 AMD'000	2023 AMD'000	2023 AMD'000	2023 AMD'000
Tax loss	962	-	962	962
Investment securities at fair value through profit or loss	165	-	165	165
Reserves	913	-	913	913
Net tax assets	**2,040**	-	**2,040**	**2,040**

9. Cash and cash equivalents

	2023
	AMD'000
Current accounts in the bank	38,230
Total	**38,230**

Cash and cash equivalents are not impaired or overdue.

10. Investment securities

	2023
	AMD'000
Investment securities measured at amortized cost	-
Financial assets at fair value through profit or loss	570,412
Total	**570,412**

Investment securities at fair value through profit or loss

	2023
	AMD'000
Collateralized against sales and repurchase agreements	
Government securities	324,668
Total	**324,668**

Investment securities are not overdue.

11. Fixed assets

	Computer technology	Office property and other fixed assets	Total
	AMD'000	AMD'000	AMD'000
Initial value			
Additions	5,305	925	6,230
Balance as of 31.12.2023	**5,305**	**925**	**6,230**
Accumulated depreciation			
Cost of the period	2,276	127	2,403
Balance as of 31.12.2023	**2,276**	**127**	**2,403**
Net book value	**3,029**	**798**	**3,827**

Intangible assets

	2023 AMD'000
Initial value	
Additions	280
Balance as of 31.12.2023	**280**
Accumulated depreciation	
Cost of the period	21
Balance as of 31.12.2023	**21**
Net book value	**259**

12. Amounts payable to financial organizations

	2023 AMD'000
Credit line from banks	282,507
Amounts accrued against credit lines received from banks	310
Total	**282,817**

As of December 31, 2023, the Company has 2 banks as contracting parties, the balances of which are liable to exceed 10% of the Company's equity capital.

13. Share capital and reserves

(a) Issued capital and issue proceeds

As of December 31, 2023, the Company's share capital amounted to AMD 351,000, which consists of 3,510,000 ordinary shares. The nominal value of all shares is AMD 100.

Common stockholders are entitled to receive dividends declared from time to time and vote at annual general meetings of the Company stockholders on a one-share, one-vote basis.

(b) Main reserve

Pursuant to law requirements and the Company Charter, the Company must create a non-distributable minimum reserve equal to 15% of the share capital from its retained earnings to cover future losses.

14. Contingent cases

Insurance

The Company is not insured against business interruption and liabilities to third parties that may arise as a result of accidents occurring on the Company premises or the latter's activities causing damage to human health, property or the environment, except for damages caused by vehicles operation. Unless the Company is adequately

insured, there is a risk that damage to human health, loss or destruction of certain assets may have a material adverse effect on the Company operations and financial condition.

Tax liabilities

The tax system of the Republic of Armenia, being relatively new, is characterized by frequent changes in legislation, official clarifications and court resolutions, which are sometimes unclear and contradictory, which implies different interpretations. Taxes are subject to inspection and review by tax authorities with authority to impose penalties and fines. In case of tax legislation violation, tax authorities are not authorized to impose additional tax liabilities, penalties or fines if three years have passed since the violation date.

Environment Protection

Currently, the Republic of Armenia is tightening the legislation regulating the environmental field, and the position of the state bodies of the Republic of Armenia related to the provision of its requirements is continuously changing. The Company regularly evaluates its liabilities under environmental legislation. Liabilities are recognized as they arise. Potential liabilities that may arise as a result of changes in applicable regulations, civil law or legislation, or as a result of legal practice cannot be estimated but could be significant. Management believes that, under the current application of applicable environmental laws, there are no significant liabilities arising from environmental damage.

15. Related party transactions

The Company key management personnel include the Executive Director, the Finance Director.

The remunerations of the key management personnel of the Company during the reporting period are as follows:

	2023 AMD'000
Salary and other short-term compensation	20,300
Total	**20,300**

16. Fair value measurement disclosures

Fair value is the amount at which a financial instrument could be exchanged between knowledgeable and willing parties in an orderly transaction, other than in a forced sale or liquidation, and is best evidenced by a quoted price in an active market.

The following table sets forth the assets and liabilities the fair values of which are disclosed in the notes:

Article	Fair Value AMD'000	Level of fair value hierarchy	Significant unobservable input data
Amounts due from financial institutions, organizations and individuals	14,242	Level 2	Not applicable
Investment securities at fair value through profit or loss	570,412	Level 2	Not applicable
Amounts payable to financial organizations	282,817	Level 2	Not applicable

17. Summary of accounting policy

17.1 Going concern principle

The financial statements have been prepared on a going concern basis.

17.2 Fixed assets

Fixed assets accounted for at initial cost
Fixed assets are accounted for at cost less accumulated depreciation and impairment losses. The initial cost includes purchase price, import duties, non-refundable taxes and directly attributable costs. When a fixed asset unit consists of major components with different useful lives, they are accounted for as separate fixed asset units.

Initial cost includes directly attributable costs, site preparation, installation costs, professional fees and, in the case of a qualifying asset, capitalized borrowing costs under the Company accounting policy. Buildings that are lease property are also included in fixed assets if they are obtained under long-term lease. Depreciation of such assets is calculated over the expected useful life of the asset or the lease term.

The gain or loss resulting from the disposal or retirement of a fixed asset is determined by the difference between the proceeds from the sale and the carrying amount of the asset and is recognized in profit or loss.

The cost of replacing a component of a fixed asset unit accounted for as a separate asset is capitalized with the carrying amount of the retired component. Other subsequent costs are capitalized only when they add to the future economic benefits associated with the fixed asset unit. All other costs, including maintenance and repair costs, are recognized in the statement of profit or loss and other comprehensive income in the period incurred.

Depreciation is recognized in the statement of profit or loss and other financial results using the straight-line method over the estimated useful life of the fixed asset. Depreciation begins when the asset becomes available for its intended use.

Estimated useful lives of fixed assets are set out below.

Communication devices, computer equipment	- 1 year
Economic property, equipment	- 8 years

17.3 Lease

The Company assesses whether a contract is a lease contract or contains a lease based on the definition of a lease.

At the beginning of the contract, the Company assesses whether the contract is a lease contract or contains lease. A contract is a lease contract or contains a lease if the contract transfers, in exchange, the right to control the use of a specified asset for a specified period of time.

To assess whether a contract transfers control over the use of a specified asset, the Company uses the definition of a lease in IFRS 16.

The Company rents real estate for administrative purposes.
As a lessee, the Company recognizes the right to use the asset and the lease liability at the time of initial recognition of the lease control, except for low-cost and short-term leases - the exceptions provided for in IFRS 16.

Initial recognition

At the date of initial recognition, the Company measures the right-of-use asset at initial cost, which includes the following elements:

- the initial recognition value of the lease liability,
- lease payments made on or before the recognition date, less the effect of incentives received under the lease,
- initial direct costs incurred,
- assessment of the cost of vacating, restoring or dismantling the leased asset.

At the date of initial recognition, the Company measures the lease liability as the present value of the lease payments payable at that date. Lease payments are discounted at the rate assumed by the lease, if determinable. Otherwise, the Company uses its additional borrowing rate for discounting.

Further measurement

After initial recognition, the lessee measures the right of use of asset at initial cost:

- less accumulated depreciation and impairment,
- adjusted by revaluation of the lease liability.

The basis for calculating the depreciation of the right of use of the asset is the Company policy of depreciation of fixed assets. After initial recognition, the Company remeasures the lease liability:

- by increasing the carrying amount to reflect the accrued interest on the lease liability,
- by reducing the carrying amount to reflect the lease payments made,
- by remeasuring the carrying amount to reflect remeasurements or changes to the lease contract.

17.4 Foreign currency

Foreign currency transactions are recalculated at the exchange rate of the Company functional currency as at the transaction date. As at reporting date, monetary assets and liabilities denominated in foreign currency are recalculated at the exchange rate of the functional currency as at that date. The gain or loss on foreign currency transactions related to monetary items is the difference between the amortized cost expressed in the functional currency at the beginning of the period, adjusted for interest and payments calculated at the effective interest rate for the period, and the amortized cost expressed in the functional currency recalculated at the exchange rate in effect at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currency measured at fair value are recalculated at the exchange rate at the date of determination of the fair value of the functional currency. Foreign currency non-monetary items measured at initial cost are recalculated at the transaction date exchange rate. Exchange differences arising from translation are recognized in profit or loss.

17.5 Interest

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that discounts the estimated future cash payments or entries over the expected period of the financial instrument to exactly:

- gross book value of the financial asset or
- amortized cost of the financial liability

When calculating the effective interest rate of financial instruments, except for acquired or originated debt-impaired assets, the Company estimates future cash flows by considering all contractual terms of the financial instrument, but without taking into account expected credit losses. For acquired or originated debt-impaired financial assets, a debt risk-adjusted effective interest rate is calculated by applying estimated future cash flows, including expected credit losses.

The calculation of the effective interest rate for financial instruments other than financial instruments measured at fair value through profit or loss includes transaction costs and all commissions and amounts paid or received that form an integral part of the effective interest rate. Transaction costs include those additional costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability.

Amortized cost and gross book value

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, less principal payments, plus or minus the cumulative amortization of the difference between the initial and maturity amounts calculated using the effective interest method and, for financial assets - adjusted by allowance for expected credit losses. The gross carrying amount of a financial asset measured at amortized cost is the amortized cost of the financial asset before adjustment for the allowance for expected credit losses.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated at the time of initial recognition of the financial asset or financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (if the asset is not debt-impaired) or the amortized cost of the liability. The effective interest rate is revised at floating rate as a result of periodic reassessment of cash flows of instruments to reflect changes in market rates.

However, for financial assets that become debt-impaired after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer considered debt impaired, the calculation of interest income is again carried out against the gross book value.

For debt-impaired financial assets at initial recognition, interest income is calculated by applying the debt risk-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income is not carried out against the gross book value, even if the debt risk of the asset is reduced. Information on cases when financial assets are considered debt-impaired is set out in Note 17.8 (d).

Presentation

Interest income calculated using the effective interest method in the statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortized cost. Interest on debt instruments measured at fair value through profit or loss is presented as other interest income in the statement of profit or loss and other comprehensive income.

Interest expense presented in the statement of profit or loss and other comprehensive income includes interest expense on financial liabilities measured at fair value through profit or loss.

17.6 Fees and commissions

Income and expenses in the form of fees and commissions that form an integral part of the effective interest rate of a financial asset or financial liability are included in the calculation of the effective interest rate (see Note 17.8).

17.7 Taxation

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

Current tax

Current tax is the amount of tax expected to be payable on taxable profit for the year, calculated by applying the tax rates in effect or substantially in effect at the reporting date and adjustments made for taxes payable in prior years.

Deferred taxation

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts of assets and liabilities used for financial statement purposes and the amounts used for tax purposes. Deferred tax assets and liabilities are not recognized on initial recognition of assets or liabilities that have no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are measured by applying the tax rates that are expected to be applied to the temporary differences when they are reversed, based on the provisions of the laws that were in force or substantially in force at the reporting date.

The measurement of deferred tax assets and liabilities reflects the tax consequences that may arise if the Company adopts the approach in which it expects to recover or settle the carrying amount of its assets and liabilities at the end of the reporting period. Deferred tax assets and liabilities are offset if the Company has a legally established right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income tax levied by the same tax authority on the same taxpayer or different taxpayers, but the Company intends to settle tax liabilities and liquidate tax assets on a net basis or simultaneously liquidate tax assets and settle tax liabilities. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which temporary differences, unused tax losses and benefits can be utilised. Deferred tax assets are reduced to the extent that taxable profit will be available against which the deductible temporary differences can be utilised.

17.8 Financial assets and financial liabilities

(a) Classification

At initial recognition, a financial asset is classified as measured at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss. A financial asset is measured at amortized cost if it meets the two conditions below and is not designated as at fair value through profit or loss;

- the asset is held as part of a business model that aims to hold the asset to collect contractual cash flows; and
- the contractual terms of the financial asset generate cash flows on specific dates that are payments only of principal and interest calculated on the outstanding principal amount.

A debt instrument is measured at fair value through other comprehensive income if it meets the two conditions below and is not designated as at fair value through profit or loss;

- the asset is held as part of a business model the objective of which is realized through both the collection of contractual cash flows and the sale of financial assets; and

- the contractual terms of the financial asset generate cash flows on specific dates that are payments of principal and interest only calculated on the outstanding principal amount.

Gains and losses on debt financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income, except for the following, which are recognized in the same way as gains and losses on financial assets measured at amortized cost:

- interest income calculated using the effective interest method,
- expected credit loss and reversals and
- gains and losses from foreign exchange differences.

When a debt financial asset measured at fair value through other comprehensive income is derecognised, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss from equity.

Upon initial recognition of an investment in an equity instrument not held for trading, the Company may irreversibly elect to present subsequent changes in fair value in other comprehensive income. This selection is made separately for each investment.

Gains and losses on these equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss (see Note 17.8(b)), unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of the investment.

All other financial assets are classified as measured at fair value through profit or loss. Moreover, upon initial recognition, the Company may irreversibly designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as measured at fair value through profit or loss if this eliminates or substantially reduces the accounting mismatch, which would otherwise occur.

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 in that case 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 how that information is communicated to the Company 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 business managers are remunerated (for example, whether remuneration is based on the fair value of the financial assets under management or on the cash flows collected).
- 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 realized

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the 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 so that it would not meet this condition. In making the assessment, the Company considers:

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

Reclassification

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

Financial liabilities

Financial liabilities are classified by the Company as measured "at fair value through profit or loss".

Reclassification

Financial assets are not reclassified subsequent to their initial recognition.

(b) Derecognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows arising from the financial asset become void, or when it transfers the rights to receive the cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and 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 derecognized part) and the amount of (i) the compensation received (including any new asset acquired, less any new liability assumed) and (ii) the difference between the cumulative gain or loss recognized in other comprehensive income is recognized in profit or loss.

The Company enters into transactions in which it transfers assets recognized in the statement of financial position, but retains all or substantially all of the risks and rewards of ownership of the transferred assets or their part. In such cases, the assets transferred are not derecognised. Examples of such transactions are securities compensation and sale and repurchase transactions.

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

Financial liabilities

The Company derecognizes a financial liability when its contractual liabilities are fulfilled or canceled or become void.

(c) Changes in Financial Assets and Financial Liabilities

Financial assets

If the terms of a financial asset change, the Company assesses whether the cash flows of the changed asset are significantly different. If the cash flows are significantly different ("significant change"), the contractual rights to the cash flows of the original financial asset are considered void. In this case, the original financial asset is derecognised and a new financial asset is recognized at fair value plus qualifying transaction costs.

Payments received as part of the change are accounted for as follows:

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

Changes in the cash flows of existing financial assets or financial liabilities are not considered as a change if they result from existing contractual terms, for example, a change in interest rates by the Company as a result of changes in the main interest rate of the Central Bank of the Republic Armenia, if the Company has the right to make such a change under the loan agreement.

The Company performs a quantitative and qualitative assessment of the significance of the change, that is, it assesses whether the cash flows of the original financial asset differ significantly from the cash flows of the modified or replaced financial asset. The Company assesses the significance of the change by considering quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are significantly different, the contractual rights to the cash flows of the original financial asset are considered void. In making this assessment, the Company applies guidance similar to the guidance used for derecognition of financial liabilities.

The Company concludes that the change is significant based on the following qualitative factors

- change in the currency of the financial asset,
- change of collateral or other means of improving debt quality,
- a change in the terms of a financial asset that results in non-compliance with the criterion of being payments of principal and interest calculated on the outstanding principal only.

If the change in cash flows is due to the borrower's financial difficulties, the purpose of the change is typically to recover the asset under the original terms of the contract as much as possible, rather than to originate a new asset with significantly different terms. If the Company intends to modify a financial asset so as to release cash flows, it first considers whether a part of the asset should be written off before making the change (see write-off policy below). This approach affects the outcome of the quantitative assessment and means that the derecognition criteria

are not always met in such cases. The Company also performs a qualitative assessment to assess the significance of the change.

If a change in a financial asset measured at amortized cost or fair value through other financial results does not result in derecognition of the financial asset, the Company first recalculates the gross carrying amount of the financial asset by applying its original effective interest rate and recognizes the resulting adjustment as a gain or loss from the change in profit or loss. For floating rate financial assets, the original effective interest rate used to calculate the gain or loss on the change is adjusted to reflect current market conditions at the time of the change. Any expense or payment incurred or received as part of the change adjusts the carrying amount of the changed financial asset and is amortized over the remaining term of the changed financial asset.

If such a change is made due to financial difficulties of the borrower, the gain or loss is presented together with the impairment loss. In other cases, it is presented as interest income calculated at the effective rate.

For fixed-rate loans, where the borrower has the option to make early repayment of the loan at nominal value without any significant penalty, the Company accounts for the change in the interest rate to the current market interest rate level, applying the applicable guidance for floating-rate financial instruments. This means that the effective interest rate is adjusted forward.

Financial liabilities

The Company derecognizes a financial liability when its terms change and when the cash flows of the changed liability are significantly different. In this case, based on the changed terms, a new financial liability is recognized at fair value. The difference between the carrying amounts of the extinguished financial liability and the new financial liability with changed terms is recognized in profit or loss. The consideration paid includes the non-financial assets transferred (if any) and liabilities assumed, including the newly changed financial liability.

The Company conducts a quantitative and qualitative assessment of the significance of the change by considering qualitative factors, quantitative factors, and the combined effect of qualitative and quantitative factors. The Company concludes that the change is significant based on the following qualitative factors:

- change in the currency of the financial liability,
- change of collateral or other means of improving the quality of debt, including the possibility of conversion.
- change in the subordination of a financial liability.

The terms of quantitative assessment are significantly different if the discounted present value of cash flows under new terms, including fees paid net and discounted at the original effective interest rate, differs by at least 10 percent from the discounted present value of the remaining cash flows of the original financial liability.

If the change in the financial liability does not meet the derecognition terms, the amortized cost of the liability is recalculated by discounting the changed cash flows at the original effective interest rate, and the resulting gain or loss is recognized in profit or loss.

For floating rate financial liabilities, the original effective interest rate used to calculate the gain or loss on the change is adjusted to reflect current market conditions at the time of the change. Any expense or fee incurred adjusts the carrying amount of the changed financial asset and is amortized over the remaining term of the changed financial asset. Any expense or fee incurred is recognized as an adjustment to the carrying amount of the liability and is amortized over the remaining term of the changed financial liability by recalculating the effective interest rate of the instrument.

(d) Impairment

See also Note 4.

The Company recognizes a loss allowance for expected credit losses for the following financial instruments measured at fair value through profit or loss:

- financial assets that are debt instruments.

No impairment loss is recognized on investments in equity instruments.

The Company measures the loss allowance at an amount equal to the entire term expected credit losses, except for the following instruments, for which the loss allowance is measured at an amount equal to the 12-month expected credit losses:

- debt investment securities that are considered to have low credit risk as of the reporting date and
- other financial instruments for which credit risk has not increased significantly since initial recognition (see Note 4).

The Company considers a debt investment security to have a low debt risk if its rating is equivalent to the internationally accepted definition of "investment grade".

12-month expected credit losses represent the portion of expected credit losses arising from possible defaults on a financial instrument in the 12 months following the reporting date.

Financial instruments with 12-month expected credit losses are considered Stage 1 financial instruments.

Credit losses for the entire term represent the expected credit losses arising from all possible default events over the expected term of the financial instrument. Financial instruments with credit losses expected for the entire term are considered Stage 2 financial instruments.

Measurement of expected credit losses

Expected credit losses is a probability-weighted estimate of credit losses and is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- financial guarantee agreements: as the present value of the payments expected to be made to the holder to cover the credit loss, less the amounts that the Company expects to recover.

See also Note 4.

Financial assets under revised terms

If the terms of a financial asset are renegotiated or changed or an existing financial asset is replaced by a new one due to financial difficulties of the borrower, the need to derecognize the financial asset is assessed (see Note 17.8 (c)), and expected credit losses are measured as follows:

- If the expected revision does not result in the derecognition of the existing asset, the expected cash flows from

the modified financial asset are included in the calculation of the cash shortfall on the existing asset (see Note 4).

- If the expected revaluation results in the derecognition of an existing financial asset, the expected fair value of the new asset is considered as the final cash flows from the existing financial asset upon derecognition. This amount is included in the calculation of the cash shortfall on the existing asset, which is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Debt-impaired financial assets

As at each reporting date, the Company assesses financial assets measured at amortized cost and debt financial assets measured at fair value through profit or loss for debt impairment (which we consider to be Stage 3 financial assets). A financial asset is debt impaired if one or more events have occurred that have a negative impact on the estimated future cash flows of that financial asset.

One of the proofs of financial asset debt impairment is the observable data on the following cases:

- significant financial difficulties of the borrower or the issuer,
- breach of contract, such as default or delinquency;

A review by the Company of the terms of a credit or loan that the Company would not otherwise consider.

- likelihood that the borrower will go bankrupt or otherwise reorganize financially, or
- elimination of an existing market for the security due to financial difficulties

A loan the terms of which have been renegotiated due to a deterioration in the borrower's condition is generally considered debt-impaired unless there is evidence that the risk of not receiving contractual cash flows has significantly decreased and there are no other indications of impairment within the past six months. In addition, in the case of credits to individuals, a credit that is 90 days or more overdue is considered debt-impaired. Moreover, credits overdue for 30 days or more, investment securities, cash and their equivalents overdue for 5 days or more are considered debt-impaired.

The Company considers the following factors when assessing the debt impairment of an investment in government bonds:

- Market assessment of creditworthiness as reflected in bond yields.
- Ratings of creditworthiness rating agencies.
- Country's ability to access capital markets to issue new debt.
- The possibility of renegotiation of the terms of the debt, as a result of which holders may suffer losses due to voluntary or mandatory debt forgiveness.
- Existing international support mechanisms that allow the country as a "last possible" to be provided with the necessary support, as well as the intention to use mechanisms specified in public statements of governments and agencies.

This includes assessing the effectiveness of the mechanisms above and their ability to meet the required standards, regardless of political intentions.

Presentation of expected credit loss allowance in the statement of financial position

The expected credit loss allowance is presented in the statement of financial position as follows:

- financial assets measured at amortized cost as a deduction from the gross book value of assets,
- financial guarantee agreements, usually as allowance.

Write-offs

Credits and debt securities are written off (in whole or in part) when there is no reasonable expectation of recovering all or part of the borrowed financial asset. A write-off is generally made when the Company determines that the borrower does not have assets or sources of income from which he/she can generate sufficient cash flow to repay the amounts subject to write-off. This valuation is carried out separately for each asset.
Other debt collection measures may still be applied to the written off financial assets to ensure compliance with the Company procedures for recovering amounts due.

17.9 Cash and cash equivalents

Cash and cash equivalents include bank account balances.
For cash flows statement purpose, cash equivalents are short-term, highly liquid investments that are readily convertible to cash at amounts known in advance and the risk of change in value is not significant. Cash and cash equivalents are accounted for at amortized cost in the statement of financial position.

17.10 Loans to non-financial organizations

Loans to non-financial organizations are measured at amortized cost (Note 17 (17.8)). These borrowings are initially measured at fair value plus additional direct transaction costs and subsequently measured at amortized cost using the effective interest method.

17.11 Investment securities

The article "investment securities" in the statement of financial position includes:

- debt investment securities measured at amortized cost (see Note 17.8 (a)). These securities are initially measured at fair value plus additional direct transaction costs and subsequently measured at amortized cost using the effective interest method.
- debt investment securities measured at fair value through profit or loss (see Note 17.8(a)). These securities are measured at fair value, with changes recognized immediately in profit or loss.

18. Events occurring after the reporting period

No events that could lead to adjustment or additional disclosure of information reflected in the Company's financial statements as of December 31, 2023 occurred after the reporting period.