Financial Statements and Independent Auditor's Report

“INGO ARMENIA” Insurance Closed Joint Stock Company

31 December 2022

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Grant Thornton

Independent auditor's report

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To the shareholders and board of Insurance Closed Joint Stock Company "INGO ARMENIA".

Opinion

We have audited the financial statements of Insurance Closed Joint Stock Company "INGO ARMENIA" (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 Company 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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements that presents the impact of the ongoing Russian-Ukrainian war since February 2022 on the Company's operations.

As stated in Note 2, the future activity of the Company largely depends on changes in future economic and political situations. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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	Lilit Baghdasaryan
Chief Executive Officer	Engagement Manager

14 April 2023

Statement of financial position

In thousand Armenian drams	Notes	31 December 2022	31 December 2021
Assets			
Property and equipment	6	1,316,691	1,282,735
Investment property		73,900	70,400
Intangible assets	7	159,182	133,771
Other assets		12,182	7,160
Deferred tax asset		29,821	34,244
Prepaid income tax		25,937	-
Deferred acquisition costs	8	743,426	343,709
Insurance and reinsurance receivables	9	2,338,944	1,534,824
Reinsurance assets	14	2,264,280	2,146,142
Deposits in banks	10	1,980,332	1,977,585
Securities pledged under repurchase agreements	11	481,851	2,762,934
Investment securities available-for-sale	11	4,887,132	3,916,238
Cash	12	30,853	27,190
Total assets		14,344,531	14,236,932
Equity and liabilities			
Equity			
Share capital	13	2,536,260	2,536,260
Other reserves		(315,614)	12,234
Retained earnings		2,867,052	1,976,424
Total equity		5,087,698	4,524,918
Liabilities			
Current income tax liabilities		-	33,080
Insurance contract liabilities	14	7,264,130	5,929,502
Insurance and reinsurance payables	15	750,812	605,377
Borrowings received		186,162	-
Repurchase agreements with banks	16	446,335	2,523,883
Revenues of future periods	17	110,966	146,787
Insurance prepayments received		116,700	107,282
Other liabilities	18	381,728	366,103
Total liabilities		9,256,833	9,712,014
Total equity and liabilities		14,344,531	14,236,932

The financial statements were signed on 14 April 2023.

Arevshat Meliksetyan	MELIKSETYAN AREVSHAT 2008830063 Digitally signed by MELIKSETYAN AREVSHAT 2008830063	Anahit Vardanyan
Executive director		Deputy 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 57.

Digitally signed by
ANAHIT VARDANYAN 7702860340
Date: 2023.04.18 12:17:16

Statement of profit or loss and other comprehensive income

In thousand Armenian drams

	Notes	2022	2021
Revenue of gross premiums written	19	14,889,620	12,008,217
Gross premiums written ceded to reinsurers	19	(5,070,513)	(4,077,583)
Net insurance premiums revenue		9,819,107	7,930,634
Gross claims incurred	20	(8,267,407)	(6,967,909)
Reinsurer's share of gross claims incurred	20	2,059,300	1,412,744
Net claims incurred		(6,208,107)	(5,555,165)
Subrogation income		155,022	160,883
Reinsurance commission income	21	554,820	470,624
Acquisition costs	22	(1,765,674)	(876,609)
Insurance impairment charge	23	(59,837)	(15,133)
Net other insurance expenses	24	(229,775)	(258,292)
Results of insurance activity		2,265,556	1,856,942
Net investment income	25	611,802	618,993
Other income		7,192	3,871
Depreciation and amortization	6,7	(179,408)	(160,888)
Staff costs	26	(1,245,736)	(1,251,438)
Other operating and administrative expenses	27	(375,368)	(285,620)
Foreign currency translation net gain of non-trading assets and liabilities		86,344	10,923
Loss from trading in foreign currency		(20,091)	(5,417)
Profit before income tax		1,150,291	787,366
Income tax expense	28	(212,788)	(146,019)
Profit for the year		937,503	641,347

Statement of profit or loss and other comprehensive income (continued)

In thousand Armenian drams

	Notes	2022	2021
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of property and equipment		75,261	25,306
Income tax relating to items not reclassified		(13,547)	(4,555)
Net gain from items that will not be reclassified subsequently to profit or loss		61,714	20,751
Items that are or may be reclassified subsequently to profit or loss			
Net unrealized loss from changes in fair value of available-for-sale investment securities		(534,470)	(402,048)
Net loss/(gain) reclassified to profit or loss on disposal of available-for-sale instruments		2,230	(4)
Income tax relating to reclassified items		95,803	72,369
Net loss from available-for-sale investment securities		(436,437)	(329,683)
Other comprehensive income for the year, net of tax		(374,723)	(308,932)
Total comprehensive income for the year		562,780	332,415

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 57.

Statement of changes in equity

In thousand Armenian drams	Share capital	Statutory general reserve	Revaluation reserve for investment securities	Revaluation reserve of property and equipment	Retained earnings	Total
Balance as of 1 January 2022	2,536,260	281,083	(476,751)	207,902	1,976,424	4,524,918
Distribution to reserve	-	46,875	-	-	(46,875)	-
Dividends	-	-	-	-	-	-
Transactions with owners	-	46,875	-	-	(46,875)	-
Profit for the year	-	-	-	-	937,503	937,503
Other comprehensive income:						
Revaluation of property and equipment	-	-	-	75,261	-	75,261
Net unrealized loss from changes in fair value of available-for-sale financial assets	-	-	(534,470)	-	-	(534,470)
Net loss reclassified to profit or loss on disposal of available-for-sale financial assets	-	-	2,230	-	-	2,230
Income tax relating to components of other comprehensive income	-	-	95,803	(13,547)	-	82,256
Total comprehensive income for the year	-	-	(436,437)	61,714	937,503	562,780
Balance as of 31 December 2022	2,536,260	327,958	(913,188)	269,616	2,867,052	5,087,698
Balance as of 1 January 2021	2,536,260	224,109	(147,068)	187,151	2,192,051	4,992,503
Distribution to reserve	-	56,974	-	-	(56,974)	-
Dividends	-	-	-	-	(800,000)	(800,000)
Transactions with owners	-	56,974	-	-	(856,974)	(800,000)
Profit for the year	-	-	-	-	641,347	641,347
Other comprehensive income:						
Revaluation of property and equipment	-	-	-	25,306	-	25,306
Net unrealized loss from changes in fair value of available-for-sale financial assets	-	-	(402,048)	-	-	(402,048)
Net gain reclassified to profit or loss on disposal of available-for-sale financial assets	-	-	(4)	-	-	(4)
Income tax relating to components of other comprehensive income	-	-	72,369	(4,555)	-	67,814
Total comprehensive income for the year	-	-	(329,683)	20,751	641,347	332,415
Balance as of 31 December 2021	2,536,260	281,083	(476,751)	207,902	1,976,424	4,524,918

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 57.

Statement of cash flows

In thousand Armenian drams

	2022	2021
Cash flows from operating activities		
Insurance premiums received	14,965,661	11,686,171
Ceded reinsurance premiums	(3,091,213)	(2,649,557)
Claims paid	(7,441,723)	(6,289,861)
Reinsurers’ share in claims paid	78,508	182,892
Received subrogation amounts	179,013	154,407
Payments to employees and in their name	(1,194,931)	(1,358,934)
Payments to suppliers	(649,983)	(567,804)
Payments to intermediaries	(1,650,530)	(701,165)
Taxes paid, other than income tax	(22,865)	13,352
Other payments	(259,104)	(211,616)
Net cash flow from operating activities before income tax	912,833	257,885
Income tax paid	(185,126)	(308,626)
Net cash from/(used in) operating activities	727,707	(50,741)
Cash flows from investing activities		
Redemption and sale of investment securities	1,346,980	673,232
Purchase of property and equipment and intangible assets	(169,433)	(118,683)
Redemption of deposits	144,688	391,928
Redemption of borrowings	-	1,147
Payments from investment property	3,050	2,250
Net cash from investing activities	1,325,285	949,874
Cash flow from financing activities		
Dividends	-	(800,000)
Payment of lease liabilities	(33,333)	(33,334)
Loans repaid	(2,199,439)	(121,825)
Borrowings received	184,713	-
Net cash flow used in financing activities	(2,048,059)	(955,159)
Net increase/(decrease) in cash	4,933	(56,026)
Cash at the beginning of the year	27,190	90,406
Effect of exchange rate changes on cash	(1,270)	(7,190)
Cash at the end of the year (Note 12)	30,853	27,190

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 57.

Notes to the financial statements

1 Nature of activities and general information

“INGO ARMENIA” ICJSC (the “Company”) is a closed joint-stock Insurance company, which was incorporated in the Republic of Armenia in 1997 under the name “Efes” ICJSC. The Company is regulated by the legislation of RA and conducts its business under license number N0014, granted on 02.09.1997 by the Central Bank of Armenia (the “CBA”). In 2003 the Company was renamed to “INGO ARMENIA” ICJSC. The Company was relicensed by the RA CB in 28.03.2008, under licence number N0005.

The Company primarily is involved in general insurance business in the territory of the Republic of Armenia. The main types of insurance contracts issued by the Company are accident, health, motor, cargo, fire and natural disasters, motor liability, financial losses, general liability and travel insurance. Moreover, the Company carries out air and water transportation insurance, as well as related liability insurance. Starting from 2010, the Company is a member of compulsory motor third party liability insurance bureau and from October 2010 it issues compulsory motor third party liability insurance (CMTPLI) contracts.

The head office of the Company is in Yerevan.

The registered office is located at: 51, 53 Hanrapetutyun Str., Areas 47, 48, 50, Yerevan 0010, RA.

As of 31 December 2022 the number of employees of the Company is 209 (2021: 204).

2 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, Russian national reinsurance company, 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.

In March 2023, the European Union published the tenth package of sanctions against Russia, in which the Russian National Reinsurance Company was included as a representative of a number of Russian companies.

Since the 99.9% shareholder of Invest-Polis CJSC, which is a 75% shareholder of the Company, is the Russian "Ingostrakh" open joint-stock insurance company (Note 13), which is also a major reinsurance partner of the Company (Note 14), the Company's management is monitoring the situation related to sanctions against Russia and Russian companies. The Company is already doing everything possible to get new reinsurance partners and avoid potential risks.

Since the hostilities have not yet stopped, it is impossible to reliably assess its final impact on both Armenia's business environment and the company's operations.

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 available for sale assets. Other financial assets and liabilities are stated at amortized cost and non-financial assets and liabilities are stated at historical cost, with the exception of land and buildings, which are stated at revalued amount.

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)

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.

IFRS 9 Financial Instruments (2014)

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after 1 January 2022, with early adoption permitted. It replaces IAS 39 Financial Instruments: Recognition and Measurement.

In October 2017, the IASB issued Prepayment Features with negative Compensation (Amendments to IRS 9), The amendments are effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Company used the retrospective application approach of IFRS 9 and the amendments to IFRS 9 until 2023 in accordance with the amendment to IFRS 4 *Insurance Contracts*.

The Company has not yet completed to revise its accounting processes and internal controls changes in accordance with IFRS 9, the refining and finalising its models for ECL calculations and the new accounting policies, assumptions, judgments, and estimation techniques employed are subject to change until the Company finalises its first financial statements that include the date of initial application.

Classification of financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL.

A financial asset is classified into one of these categories on initial recognition. It eliminates the existing IAS 39 categories of held to maturity, loans, and receivables, available for sale and financial assets at fair value through profit or loss.

The standard will affect the classification and measurement of financial assets held as at 1 January 2023 as follows.

– Deposits and receivables in banks that are classified as loans and receivables and measured at amortised cost under IAS 39 will in general also be measured at amortised cost under IFRS 9.

– Debt investment securities that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.

The classification and measurement assessment as of 31 December 2022 may not necessarily represent the impact on the Company's financial statements as of 1 January 2023 because IFRS 9 requires the business model assessment to be undertaken based on the facts and circumstances that exist at the date of initial application, which will be 1 January 2023 for the Company.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ model. This will require considerable judgement over how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

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

- financial assets measured at amortised cost
- financial assets measured at fair value through other comprehensive income

Under IFRS 9, no impairment loss is recognised on equity investments.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in the following areas,

– assessing whether the credit risk of an instrument has increased significantly since initial recognition; and

– incorporating forward-looking information into the measurement of ECLs;

– definition of default.

The key inputs into the measurement of ECLs are likely to be the term structures of the following variables:

– Probability (PD);

– loss given default (LGD); and

– exposure at default (EAD).

These parameters will be derived from internally developed statistical models and other historical data that leverage regulatory models. They will be adjusted to reflect forward-looking information as described below.

The most significant impact on the Company’s financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments in the scope of the IFRS 9 impairment model.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively to comply with the transitional provisions of IFRS 17. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognized in retained earnings as of 1 January 2022, and financial statements as of 31 December 2022 will be restated.

IFRS 17 Insurance contracts

IFRS 17 Insurance Contracts issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023. IFRS 17 will replace IFRS 4, which permits companies to apply existing accounting practices for insurance contracts. IFRS 17 is a single, principles-based accounting standard for all types of insurance contracts, including reinsurance contracts, held by an insurer.

This new accounting standard covers the recognition and measurement, presentation and disclosure of all types of insurance contracts, regardless of the type of entity issuing them. The overall objective of IFRS 17 is to ensure transparency of income and expenses related to insurance activities, reflect the impact of economic changes in a timely and transparent manner, and provide more information about the current and future profitability of insurance activities.

According to IFRS 17, the three approaches to measuring insurance contracts are:

- Core approach;
- Premium allocation approach;
- Variable fee approach.

Core approach

According to the core approach, the initial recognition and measurement of groups of insurance contracts based on:

- the risk-adjusted present value of future cash flows that takes into account all available fulfilment cash flows information consistent with observable market information to which is added (if value is a liability) or deducted from (if value is an asset)
- the amount of unearned profit for the group of contracts (contract service margin). Insurers will reflect the profit on a group of insurance contracts over the period over which they provide coverage. If the group of contracts is or becomes unprofitable, the entity will recognize the loss immediately.

According to the core approach, subsequent measurment of insurance contracts includes:

- the liability for remaining coverage for the fulfilment of a group of contracts, which is the entity's obligation to pay and right to receive amount for insurance events that have not occurred and service that have not been provided;
- The liability for incurred claims for the fulfilment of a group of contracts, which is the entity's responsibility to observe and pay:

  i valid claims for insured events that have already occurred,

  ii valid claims for insured events that have occurred but for which claims

  have not been reported,

  iii other incurred insurance expenses, and

  iv amounts related to services that have already been provided

Changes in the carrying amount of the liability for remaining coverage are recognized as follows:

- insurance revenue - for the reduction in the liability for remaining coverage because of services provided in the period;
- insurance service expenses - for losses and reversal of such lossess on groups of onerous contracts;
- insurance finance income or expenses - for the effect of the time value of money and the effect of financial risk.

Changes in the carrying amount of the liability for incurred claims are recognized as follows:

- insurance service expenses - for the increase in the liability because of claims and expenses incurred in the period;
- insurance service expenses - for any subsequent changes in fulfilment cash flows relating to incurred claims and incurred expenses; and
- insurance finance income or expenses - for the effect of the time value of money and the effect of financial risk.

Premium allocation approach

The premium allocation approach was applied only when:

- the coverage period of each group contract is less than or equal to 12 months,
- the simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the core approach.

According to the premium allocation approach, on initial recognition, the carrying amount of the liability is:

- the premiums, if any, received at initial recognition;
- minus any insurance acquisition cash flows at that date, unless the entity chooses to recognizes the payments as an expense;
- plus or minus any amount arising from the derecognition at that date of any asset or liability for insurance acquisition cash flows.

Under the premium allocation approach, at the end of each subsequent reporting period, the carrying amount of the liability for remaining coverage is the carrying amount at the start of the reporting period:

- plus the premiums received in the period;
- minus insurance acquisition cash flows;
- plus any amounts relating to the amortisation if insurance acquisition cash flows recognised as an expense in the reporting period;
- plus any adjustment to a financing component;
- minus the amount recognised as insurance revenue for services provided in that period;
- minus any investment component paid or transferred to the liability for incurred claims.

Variable fee approach

The variable fee approach is an approach for insurance contracts with direct participation features and primarily includes life insurance contracts. The Company does not plan to use this approach.

Thus, IFRS 17 presents different approaches to measuring liabilities under insurance contracts. Approximately 90% of the insurance contracts signed by the Company are expected to be covered by the premium allocation approach in 2023, as they are short-term insurance contracts.

Transition

The Company anticipates that applying IFRS 17 on a fully retrospective basis will be impractical because not all historical data for insurance contracts is reliably available. Therefore, the Company anticipates applying the modified retrospective approach to transition as described in IFRS 17.

The Company is still in the process of implementing IFRS 17. As the standard's application practices, IT solutions and interpretations are still under development, the potential impact of its implementation remains uncertain. Management expects to provide an update on the potential impact of IFRS 17 in the interim financial statements of 2023. The Company will summarize the final impact in its first annual financial statements, which will include the date of initial application.

Other IFRS changes

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

- *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 Insurance contracts

Insurance contracts are those contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance risk is significant if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance. The additional benefits stated above refer to amounts that exceed those that would be payable if no insured event occurred.

Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once the contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

4.2 Recognition and measurement

Gross premiums written

Gross premiums written comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy comes into effect.

Written premiums are stated gross of commissions payable to intermediaries and net of taxes and duties levied on premiums.

Provision for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the balance sheet date. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Written premiums ceded to reinsurers

Written premiums ceded to reinsurers comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy comes into effect.

Unearned premiums ceded to reinsurers

Unearned reinsurance premiums are those proportions of reinsurance premiums written in a year that relate to periods of risk after the balance sheet date. The proportion attributable to subsequent periods is deferred as a reinsurers' share of change in the gross provision for unearned premiums.

Claims incurred

Claims incurred consist of claims paid to policyholders, changes in the valuation of the liabilities arising on policyholder contracts and internal and external claims handling expenses. Claims are recognized upon notification.

Reinsurer's share of claims incurred

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Reinsurance commission income

Reinsurance commissions received or receivable which do not require the Company to render further service are recognised as revenue by the Company on the effective commencement or renewal dates of the related policies. However, when it is probable that the Company will be required to render further services during the life of the policy, the commission, or part thereof, is deferred and recognised as revenue over the period during which the services are provided.

Acquisition costs

Costs incurred in acquiring general insurance contracts are recognised in the period in which they are incurred. Acquisition costs include direct costs such as commission fees. A proportion of acquisition costs are deferred to a subsequent accounting period to match the deferral to a subsequent accounting period of the proportion of the written premiums to which the acquisition costs relate. The deferral of acquisition costs is calculated by applying the ration of unearned premiums to written premiums.

Insurance contract liabilities

Insurance contract liabilities are recognised when contracts come into effect. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of subrogation and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the balance sheet date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contractual obligations are fulfilled or when the contract is cancelled.

The provision for unearned premiums represents the part of written premiums that is estimated to be earned in subsequent periods.

Generally, the reserve is released over the term of the contract and is recognised as premium income.

The Company assesses at the end of each reporting period whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred acquisition costs) is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognised in profit or loss.

Reinsurance

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in statement of comprehensive income.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or when the contract is transferred to another party.

Insurance receivables and payables

The accounting for insurance receivables and payables is the same as the one for the financial instruments, described in the notes 4.8, 4.9 and 4.10.

4.3 Recognition of income and expenses

The recognition criteria for income and expenses other than those related to insurance contracts are presented below:

Investment income

Investment income consists of interest income, gain from sale of investment securities, movements in amortised cost on investment securities and gain from investment property.

Interest income is recognised in the statement of profit or loss and other comprehensive income as it accrues and is calculated by using the effective interest rate method.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

Investment cost

Interest paid is recognised in the statement of comprehensive income as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

4.4 Foreign currency translation

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 are recognised in the statement of comprehensive income in net trading income, while gains less losses resulting from translation of non-trading assets are recognized in the statement of comprehensive income in other income or other expense. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

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 trading income.

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

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

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

4.6 Cash

Cash comprise balances on bank accounts. Cash are carried at amortised cost.

4.7 Deposits in banks

In the normal course of business, the Company maintains current and deposit accounts in banks.

4.8 Financial instruments

The Company recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

When financial assets and liabilities are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, all financial liabilities, other than liabilities at fair value through profit or loss (including held for trading) are measured at amortized cost using effective interest method. After initial recognition financial liabilities at fair value through profit or loss are measured at fair value.

The Company classified its financial assets into the following categories:

- held-to-maturity financial assets,
- advances and receivables,
- available-for-sale financial instruments.

The classification of investments between the categories is determined at acquisition based on the guidelines established by the management. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation after each financial year-end.

Held-to-maturity financial assets

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Were the Company to sell other than insignificant amount of held-to-maturity assets not close to their maturity, the entire category would be reclassified as available-for-sale. Held-to-maturity investments are carried at amortized cost using the effective interest rate method, less any allowance for impairment.

Advances and receivables

Advances and receivables 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.

Advances 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 advance, for example where the advances is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the advances 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 at amortised cost using the effective interest method. Advances that do not have fixed maturities are accounted for under the effective interest method based on expected maturity. Advances are carried net of any allowance for impairment losses.

Available-for-sale financial assets

Financial assets available for sale represent debt and equity investments that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of profit or loss. In all cases, interest calculated using the effective interest method is recognised in the statement of profit or loss and other comprehensive income. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payment is established.

For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument, which is substantially the same, and discounted cash flow analysis. Otherwise the investments are stated at cost less any allowance for impairment.

4.9 Impairment of financial assets

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognised in the statement of profit or loss.

If, in subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Impairment allowances of financial assets have been established in the financial statements on the basis of existing economic conditions. The Company is not able to predict how conditions may change in Armenia, and what impact these changes may have on the adequacy of the impairment allowance of financial assets in future periods.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognised in the statement of income, is transferred from equity to the statement of profit or loss.

Reversals of impairment in respect of equity instruments classified as available-for-sale are not recognised in the statement of profit or loss but accounted for in other comprehensive income in a separate component of equity. Reversals of impairment losses on debt instruments are reversed through the statement of profit or loss and other comprehensive income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

4.10 Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

4.11 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.

4.12 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 re-pledge 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.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from other financial institutions or loans and advances to customers as appropriate and are not recognized in the statement of financial position. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

4.13 Property and equipment

Property and equipment are recorded at historical cost less accumulated depreciation. The Company's buildings are stated at fair value less accumulated depreciation. The Company's land is stated at fair value. 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. The land is accounted at fair value and has infinite useful life, and therefore is not depreciated.

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 (%)**
Buildings	30-50	2-3.33
Computers	2-5	20-50
Vehicles	4-5	20-25
Other fixed assets	not more than 40	not less than 2.5

Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis. Assets under the course of construction are accounted based on actual expenditures less any impairment losses. Upon completion of construction assets are transferred to property and equipment and accounted at their carrying amounts. Assets under the course of construction are not depreciated until they are ready for usage.

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.

Land and buildings are revalued on a regular basis approximately after 1-2 years. The frequency of revaluation depends on changes in fair value of assets. In case of significant divergences between fair value of revalued assets and their carrying amounts further revaluation is conducted. Revaluation is conducted for the whole class of property and equipment.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in the revaluation reserve for property and equipment in equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of income, in which case the increase is recognised in the statement of income. A revaluation deficit is recognised in the statement of income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

In case of sale or write-off of fixed assets the balance relating to revaluation reserve of that fixed assets is totally transferred to retained earnings.

4.14 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value model in accordance with IAS 40.

Rental income and operating expenses from investment property are included in investment income.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

4.15 Intangible assets

Intangible assets include computer software, licences, etc.

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 and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The following amortization rates have been applied:

	Useful life (years)	Rate (%)
Licenses and Guidelines	5-10	10-20
Software	1-10	10-100

Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end. Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

4.16 Leases

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

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist. Leasehold improvements are capitalized and depreciated over the shorter of the lease term and their useful lives on a straight-line basis

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

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.

The Company determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in the other liabilities.

Company as a lessor

As a lessor the Company classifies its leases as operating leases.

A lease is classified as an operating lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Lease payments received under operating leases are recognized as income on a straight-line basis over the lease term in "Other income".

4.17 Borrowings

Borrowings, which include amounts due to banks are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, 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.

4.18 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

4.19 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.

Retained earnings

Include retained earnings of current and previous periods.

Dividends

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

Property revaluation surplus

The property revaluation surplus is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

Revaluation reserve for available-for-sale investment securities

This reserve records fair value changes in available-for-sale financial assets.

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 key 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 investment securities

Financial instruments owned by the Company comprise Armenian state and corporate bonds. Upon initial recognition, the Company designates securities as available-for-sale financials assets, with changes in fair value through equity.

5.2 Assumptions and estimations uncertainty

Insurance contract liabilities

For insurance contracts estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the balance sheet liability.

The main assumption underlying these estimates is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. The principal difficulty is that the insurance market in Armenia is relatively new and instable, and it is almost impossible to make any future estimates based on historical data.

The Company assesses its notified claims on the case-by-case basis.

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 much 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 31).

Useful Life of property and equipment

Useful life evaluation of PPE 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. However, such factors as operational, technical or commercial depreciation often lead to decrease of asset's economic benefit. 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.

Allowance for impairment of receivables

The Company reviews its problem receivables at each reporting date to assess whether an allowance for impairment should be recorded in statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant receivables, the Company also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows.

Tax legislation

Armenian tax legislation is subject to varying interpretations (refer to note 29).

The Management of the Company has not reviewed its previous estimations, i.e. has not derecognized previously estimated deferred tax liability related to the fixed assets and continues its tax accounting as before.

6 Property and equipment

In thousand Armenian drams	Land	Buildings	Machinery and equipment	Vehicles	Office equipment	Other property and equipment	Right-of-use assets (Buildings)	Total
Cost or revalued amount								
At 1 January 2021	3,600	1,191,938	342,053	104,328	209,962	48,526	128,891	2,029,298
Revaluation	-	27,683	-	-	-	-	-	27,683
Additions	-	-	36,011	-	9,922	-	-	45,933
Disposals	-	-	(3,386)	(15,183)	(4,011)	-	-	(22,580)
Reclassification	-	(71,338)	-	-	-	-	-	(71,338)
At 31 December 2021	3,600	1,148,283	374,678	89,145	215,873	48,526	128,891	2,008,996
Revaluation	-	84,207	-	-	-	-	-	84,207
Additions	-	-	88,411	400	2,402	-	-	91,213
Disposals	-	-	(31,100)	(10,023)	(45,234)	-	-	(86,357)
At 31 December 2022	3,600	1,232,490	431,989	79,522	173,041	48,526	128,891	2,098,059
Accumulated depreciation								
At 1 January 2021	-	81,938	252,656	64,402	165,235	16,799	47,260	628,290
Depreciation adjustment as a result of revaluation	-	2,377	-	-	-	-	-	2,377
Amortization charge	-	22,952	33,862	16,939	15,992	10,019	25,778	125,542
Disposals	-	-	(3,381)	(14,345)	(3,738)	-	-	(21,464)
Reclassification	-	(8,484)	-	-	-	-	-	(8,484)
At 31 December 2021	-	98,783	283,137	66,996	177,489	26,818	73,038	726,261
Depreciation adjustment as a result of revaluation	-	8,946	-	-	-	-	-	8,946
Amortization charge	-	23,062	40,553	13,003	15,063	10,019	25,778	127,478
Disposals	-		(31,087)	(6,198)	(44,032)	-	-	(81,317)
At 31 December 2022	-	130,791	292,603	73,801	148,520	36,837	98,816	781,368
Carrying amount								
At 31 December 2021	3,600	1,049,500	91,541	22,149	38,384	21,708	55,853	1,282,735
At 31 December 2022	3,600	1,101,699	139,386	5,721	24,521	11,689	30,075	1,316,691

Revaluation of assets

The land and buildings owned by the Company were evaluated by an independent appraiser on 31 December 2022 using a combination of the comparative, income and cost methods. As a result of revaluation, there was an increase from revaluation of buildings in the net amount of AMD 75,261 thousand. Management has based their estimate of the fair value of the property on the results of the independent appraisal.

If the buildings were presented using the initial value model, the carrying amount would be AMD 842,058 thousand, as of 31 December 2022 (2021: AMD 863,588 thousand):

Reclassifications

Reclassification is the transfer of real estate from property and equipment to investment property. It arose in 2021 as a result of the lease of property owned by the Company.

At the time of reclassification of investment property as real estate, the part related to this property in the revaluation reserve of property and equipment amounted to AMD 54,288 thousand.

The fair value model was chosen for further accounting for investment property. The results of revaluation of investment property are recognized in profit/loss. As of 31 December 2022, as a result of the revaluation of investment property, the increase in fair value amounted to AMD 3,500 thousand, the income received from lease payments - AMD 3,050 thousand (2021: increase in fair value - AMD 7,546 thousand, the income received from lease payments - AMD 2,250 thousand) (refer to note 25).

Fully depreciated items

As of 31 December 2022 fixed assets included fully depreciated assets in amount of AMD 291,753 thousand (2021: AMD 282,201 thousand).

Restrictions on title of fixed assets

As of 31 December 2022 the Company does not have property pledged (2021: either).

Right-of-use assets

The right-of-use asset arose as a result of lease of an office at Hrachya Kochar Street 35/1. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Lease liabilities are presented in the statement of financial position in the line of other liabilities (refer to note 18).

7 Intangible assets

In thousand Armenian drams	**Licenses and certificates**	**Software**	**Other intangible assets**	**Total**
Cost				
At 1 January 2021	20,314	177,341	2,019	199,674
Additions	26,110	53,524	-	79,634
Disposals	(13,959)	(589)	-	(14,548)
At 31 December 2021	32,465	230,276	2,019	264,760
Additions	22,425	54,916	-	77,341
Disposals	(16,107)	-	-	(16,107)
At 31 December 2022	38,783	285,192	2,019	325,994
Accumulated amortisation				
At 1 January 2021	10,273	98,388	1,530	110,191
Amortization charge	19,515	15,629	202	35,346
Disposals	(13,959)	(589)	-	(14,548)
At 31 December 2021	15,829	113,428	1,732	130,989
Amortization charge	29,441	22,287	202	51,930
Disposals	(16,107)	-	-	(16,107)
At 31 December 2022	29,163	135,715	1,934	166,812
Carrying amount				
At 31 December 2021	16,636	116,848	287	133,771
At 31 December 2022	9,620	149,477	85	159,182

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

8 Deferred acquisition costs

The following table demonstrates the reconciliation of acquisition costs deferred during the period:

In thousand Armenian drams	Total
At 1 January 2021	244,483
Acquisition costs deferred	975,835
Recognition of expense (Note 22)	(876,609)
At 31 December 2021	343,709
Acquisition costs deferred	2,165,391
Recognition of expense (Note 22)	(1,765,674)
At 31 December 2022	743,426

9 Insurance receivables

In thousand Armenian drams	2022	2021
Amounts due from policyholders	1,406,541	1,210,005
Amounts due from reinsurers	601,089	16,388
Amounts due from intermediaries	144,847	121,551
Subrogation	36,565	55,664
Receivables on premiums	88,921	83,853
Insurance prepayments	78,103	74,411
	2,356,066	1,561,872
Loss allowance for impairment	(17,122)	(27,048)
Total insurance and reinsurance receivables	2,338,944	1,534,824

Reconciliation allowance for impairment in respect of insurance receivables during the year is as follows:

In thousand Armenian drams	Total
At 1 January 2021	19,382
Expenses for the year (Note 23)	15,133
Amounts written off	(43,483)
Recoveries	36,016
At 31 December 2021	27,048
Expenses for the year (Note 23)	59,837
Amounts written off	(95,384)
Recoveries	25,621
At 31 December 2022	17,122

10 Deposits in banks

Deposits are not impaired or overdue. All deposits in banks have more than 90 days of maturity or they are shorter-term, but the maturities are regularly reconsidered and prolonged.

As of 31 December 2022 deposits in other financial institutions in amount of AMD 1,543,518 thousand (77.9%) were due from 3 banks (2021: AMD 1,382,432 thousand (69.9%) were due from 3 banks).

11 Financial assets available-for-sale

In thousand Armenian drams	2022	2021
Investment securities available-for-sale		
RA state bonds	4,887,132	3,256,638
Corporate bonds	-	659,600
Total investment securities available-for-sale	4,887,132	3,916,238
Total securities under sale and repurchase agreements		
RA state bonds	481,851	2,762,934
Total securities under sale and repurchase agreements	481,851	2,762,934

All debt securities have fixed coupons.

The pledged securities are those financial assets pledged under repurchase agreements with other banks, with the right to sell or re-pledge by the counterparties in the absence of default by the Company, but the counterparty has an obligation to return the securities at the maturity of the contract. The Company has determined that it retains all of the main risks and rewards of such securities and therefore does not derecognize them (refer to note 16).

Available for sale debt securities by effective interest rates and maturity dates comprise:

In thousand Armenian drams		2022		2021
	%	Maturity	%	Maturity
RA state bonds	11.3-12.0	2023-2050	6.73-9.14	2022-2050
Corporate bonds	-	-	9.5-10.5	2021-2022

Available-for-sale debt securities with a fair value of AMD 481,851 thousand (2021: AMD 2,762,934 thousand) were sold under repurchase agreements to third parties (refer to note 16). They have been reclassified as securities pledged under repurchase agreements in the balance sheet in a separate line.

12 Cash

As of 31 December 2022 the bank accounts in amount of AMD 26,405 thousand (86%) is due from 4 banks (2021: AMD 24,212 thousand (89%) due from 3 banks).

13 Share capital

As of 31 December 2022 the Company's registered and paid-in share capital was AMD 2,536,260 thousand. In accordance with the Company's statues, the share capital consists of 4,124 shares, all of which have a nominal value of AMD 615,000 each.

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

In thousand Armenian drams	Paid-in share capital	% of total paid-in capital
Levon Altunyan	634,065	25
“Invest Polis” CJSC	1,902,195	75
	2,536,260	100

As of 31 December 2022 the 99.9% shareholder of "Invest-Polis" CJSC is the Russian "Ingostrakh" insurance open joint-stock company.

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.

Dividends have not been declared in 2022. At the Shareholders’ Meeting in April 2022, the Company approved the amount of dividends as of 31 December 2021 for the total amount of AMD 800,000 thousand in relation to 4,124 ordinary shares.

Distributable among shareholders reserves equal the amount of retained earnings, determined according to the Armenian legislation. Non-distributable reserves are represented by a reserve fund, which is created as required by the statutory regulations, in respect of general insurance risks, including future losses and other unforeseen risks or contingencies. The reserve has been created in accordance with the Company’s statutes that provide for the creation of a reserve for these purposes of not less than 15% of the Company’s share capital reported in statutory books. In 2022 the Company increased its general reserve by AMD 46,875 thousand (2021: AMD 56,974 thousand) using the retained earnings.

14 Insurance contract liabilities

In thousand Armenian drams			2022			2021
	Insurance contract liabilities	Reinsurance assets	Net liabilities	Insurance contract liabilities	Reinsurance assets	Net liabilities
Unearned premiums	5,086,132	(1,217,017)	3,869,115	4,415,263	(1,575,445)	2,839,818
Claims incurred but not reported	1,151,343	(736,590)	414,753	717,114	(335,731)	381,383
Notified claims	1,026,655	(310,673)	715,982	797,125	(234,966)	562,159
As of 31 December	7,264,130	(2,264,280)	4,999,850	5,929,502	(2,146,142)	3,783,360

As of 31 December 2022 the share of "Ingostrakh" IOJSC as a reinsurer in unearned insurance premiums amounted to AMD 275,289 thousand (23%), (2021: AMD 205,784 thousand (13%)).

As of 31 December 2022 the reinsurance amount of "Ingostrakh" IOJSC under existing reinsurance contracts (maximum amount of risk) is AMD 509,136,661 thousand (2021: AMD 1,245,294,844 thousand).

The following tables show the changes in the insurance liabilities and related reinsurance assets during the period:

Unearned premium

In thousand Armenian drams	Insurance contract liabilities	Reinsurance assets	Net liabilities
At 1 January 2021	4,446,880	(2,101,742)	2,345,138
Premiums written during the year	11,976,600	(3,551,286)	8,425,314
Premiums earned during the year	(12,008,217)	4,077,583	(7,930,634)
At 31 December 2021	4,415,263	(1,575,445)	2,839,818
Premiums written during the year	15,560,489	(4,712,085)	10,848,404
Premiums earned during the year	(14,889,620)	5,070,513	(9,819,107)
At 31 December 2022	5,086,132	(1,217,017)	3,869,115

Claims provision

In thousand Armenian drams	Insurance contract liabilities	Reinsurance assets	Net liabilities
Claims incurred but not reported	304,398	(31,307)	273,091
Notified claims	686,643	(87,248)	599,395
At 1 January 2021	991,041	(118,555)	872,486
Total change in provision for claims notified and IBNR	6,967,909	(1,412,744)	5,555,165
Claims paid	(6,444,711)	960,602	(5,484,109)
At 31 December 2021	1,514,239	(570,697)	943,542
Claims incurred but not reported	717,114	(335,731)	381,383
Notified claims	797,125	(234,966)	562,159
At 31 December 2021	1,514,239	(570,697)	943,542
Total change in provision for claims notified and IBNR	8,267,407	(2,059,300)	6,208,107
Claims paid	(7,603,648)	1,582,734	(6,020,914)
At 31 December 2022	2,177,998	(1,047,263)	1,130,735
Claims incurred but not reported	1,151,343	(736,590)	414,753
Notified claims	1,026,655	(310,673)	715,982
At 31 December 2022	2,177,998	(1,047,263)	1,130,735

15 Insurance payables

In thousand Armenian drams	2022	2021
Amounts payable to policyholders	56,675	19,510
Amounts payable to reinsurers	534,919	457,105
Amounts payable to agents, brokers and intermediaries	74,362	63,578
Amounts payable on direct claims	84,856	65,184
Total insurance and reinsurance payables	750,812	605,377

16 Repurchase agreements with banks

In thousand Armenian drams	Asset		Liability	
	2022	2021	2022	2021
Repurchase agreements (note 11)	481,851	2,762,934	446,335	2,523,883
	481,851	2,762,934	446,335	2,523,883

17 Revenues of future periods

Revenues of future periods relate to deferred reinsurance commissions, the reconciliation of which is presented below:

In thousand Armenian drams	Total
At 1 January 2021	147,247
Deferred reinsurance commissions	470,164
Recognition of income	(470,624)
At 31 December 2021	146,787
Deferred reinsurance commissions	518,999
Recognition of income	(554,820)
At 31 December 2022	110,966

18 Other liabilities

In thousand Armenian drams	2022	2021
Other liabilities (financial)		
Lease liabilities	39,129	66,958
Accounts payables	83,278	73,400
Accounts payables to Armenian Motor Insurers' Bureau	17,768	6,179
Staff related liabilities	194,377	171,545
Other accounts payables	2,868	8,272
	337,420	326,354
Other liabilities (non-financial)		
Tax payable, other than income tax	44,308	39,749
Total other liabilities	381,728	366,103

Lease liabilities

The Company has entered into a lease contract for one branch. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Right-of-use assets are presented in the statement of financial position in the line of property and equipment (refer to note 6):

Set out below are presented the movements of lease liabilities during the period.

In thousand Armenian drams	**31 December 2022**	**31 December 2021**
As of 1 January	66,958	92,030
Accretion of interest	5,504	8,262
Payments	(33,333)	(33,334)
Total lease liabilities as of 31 December	39,129	66,958

The weighted average interest rate on lease liabilities recognised under IFRS 16 is 11%.

The lease liabilities are secured by the related underlying assets. The maturity analysis of lease liabilities as of 31 December 2022 is presented in note 33.

19 Premiums written

In thousand Armenian drams

2022	Gross premiums written	Change in the gross provision for unearned premiums	*Gross insurance premium revenue*	Written premiums ceded to reinsurers	Reinsurers' share of change in the gross provision for unearned premiums	*Ceded earned premiums*	Net insurance premium revenue
Accident insurance	853,526	(130,934)	*722,592*	(426,176)	71,829	*(354,347)*	368,245
Health insurance	5,226,347	(358,204)	*4,868,143*	(19,031)	(500)	*(19,531)*	4,848,612
Land vehicles insurance	1,161,295	(138,342)	*1,022,953*	(466,750)	(149,165)	*(615,915)*	407,038
Aircraft insurance	151,529	(60,437)	*91,092*	(146,562)	47,044	*(99,518)*	(8,426)
Cargo insurance	123,017	14,187	*137,204*	(60,374)	(9,051)	*(69,425)*	67,779
Property insurance from fire, natural forces and other damages	3,401,989	119,755	*3,521,744*	(2,953,637)	(294,145)	*(3,247,782)*	273,962
Voluntary MTPL	41,401	(410)	*40,991*	(20,940)	(6,184)	*(27,124)*	13,867
Aircraft liability insurance	93,081	(3,188)	*89,893*	(82,211)	(3,109)	*(85,320)*	4,573
General liability insurance	329,660	7,546	*337,206*	(275,405)	(13,964)	*(289,369)*	47,837
Financial loss insurance	411,862	(49,179)	*362,683*	(150,537)	(2,331)	*(152,868)*	209,815
Assistance (Travel) insurance	430,365	(32,325)	*398,040*	(110,462)	1,148	*(109,314)*	288,726
Compulsory MTPL	3,336,417	(39,338)	*3,297,079*	-	-	-	3,297,079
As of December 31	15,560,489	(670,869)	*14,889,620*	(4,712,085)	(358,428)	*(5,070,513)*	9,819,107

In thousand Armenian drams	2021						
	Gross premiums written	**Change in the gross provision for unearned premiums**	***Gross insurance premium revenue***	**Written premiums ceded to reinsurers**	**Reinsurers' share of change in the gross provision for unearned premiums**	***Ceded earned premiums***	**Net insurance premium revenue**
Accident insurance	606,683	(51,604)	*555,079*	(277,516)	20,199	*(257,317)*	297,762
Health insurance	4,087,328	(220,095)	*3,867,233*	(24,327)	(213)	*(24,540)*	3,842,693
Land vehicles (Motor) insurance	966,052	(107,536)	*858,516*	(729,782)	77,136	*(652,646)*	205,870
Aircraft insurance	101,744	63	*101,807*	(95,364)	7,655	*(87,709)*	14,098
Cargo insurance	146,218	21,608	*167,826*	(109,384)	(27,914)	*(137,298)*	30,528
Property insurance from fire, natural forces and other damages	1,757,464	642,379	*2,399,843*	(1,646,514)	(636,499)	*(2,283,013)*	116,830
Voluntary MTPL	41,470	(2,508)	*38,962*	(31,642)	2,383	*(29,259)*	9,703
Aircraft liability insurance	108,171	(4,891)	*103,280*	(99,482)	(476)	*(99,958)*	3,322
General liability insurance	323,215	(69,515)	*253,700*	(249,741)	49,000	*(200,741)*	52,959
Financial loss insurance	296,263	(66,576)	*229,687*	(176,499)	(24,979)	*(201,478)*	28,209
Assistance (Travel) insurance	307,935	(25,052)	*282,883*	(111,035)	7,411	*(103,624)*	179,259
Compulsory MTPL	3,234,057	(84,656)	*3,149,401*	-	-	-	3,149,401
As of December 31	11,976,600	31,617	*12,008,217*	(3,551,286)	(526,297)	*(4,077,583)*	7,930,634

20 Insurance claims

In thousand Armenian drams

	2022											
	Accident insurance	Health insurance	Land vehicles (Motor) insurance	Aircraft insurance	Cargo insurance	Property insurance from fire, natural forces and other damages	Voluntary MTPL	General liability insurance	Financial loss insurance	Assistanc e (Travel) insurance	CMTPL	Total
Current year claims	186,673	3,543,305	418,968	-	119	1,047,269	1,554	82,614	-	53,152	2,269,994	7,603,648
Change in provisions for incurred but not reported claims	4,963	42,494	1,759	(216)	106,640	301,934	(201)	7,692	-	869	(31,705)	434,229
Change in provisions for reported but not settled claims	(18,767)	115,764	15,047	(4,329)	49,005	121,136	-	(95,262)	-	3,411	43,525	229,530
Claims incurred	172,869	3,701,563	435,774	(4,545)	155,764	1,470,339	1,353	(4,956)	-	57,432	2,281,814	8,267,407
Reinsurers' share in current year claims	(139,308)	(510)	(329,696)	-	(107)	(1,043,754)	(1,243)	(59,916)	-	(8,200)	-	(1,582,734)
Change in reinsurers' share in incurred but not reported provisions	(10,906)	(1)	(210)	216	(101,566)	(290,077)	228	1,866	-	(410)	-	(400,860)
Change in reinsurers' share in reported but not settled claims	12,602	-	(14,130)	4,329	(46,003)	(117,987)	-	85,483	-	-	-	(75,706)
Reinsurance share in claims incurred	(137,612)	(511)	(344,036)	4,545	(147,676)	(1,451,818)	(1,015)	27,433	-	(8,610)	-	(2,059,300)
Net insurance claims incurred	35,257	3,701,052	91,738	-	8,088	18,521	338	22,477	-	48,822	2,281,814	6,208,107

In thousand Armenian drams												2021
	Accident insurance	Health insurance	Land vehicles (Motor) insurance	Aircraft insurance	Cargo insurance	Property insurance from fire, natural forces and other damages	Voluntary MTPL	General liability insurance	Financial loss insurance	Assistance (Travel) insurance	CMTPL	Total
Current year claims	129,332	2,809,189	446,156	-	-	6,046	514,466	4,071	8,741	42,621	2,484,089	6,444,711
Change in provisions for incurred but not reported claims	21,230	28,053	28,699	-	1,200	228	256,320	173	6,163	4,340	66,312	412,718
Change in provisions for reported but not settled claims	8,736	15,961	(7,058)	-	24,007	1,650	36,903	(1,000)	77,622	11,006	(57,347)	110,480
Claims incurred	159,298	2,853,203	467,797	-	25,207	7,924	807,689	3,244	92,526	57,967	2,493,054	6,967,909
Reinsurers’ share in current year claims	(76,875)	(481)	(353,064)	-	-	(5,442)	(514,799)	(3,257)	(6,684)	-	-	(960,602)
Change in reinsurers' share in incurred but not reported provisions	(17,916)	36	(24,420)	-	(1,200)	(209)	(253,809)	(465)	(6,442)	-	-	(304,425)
Change in reinsurers' share in reported but not settled claims	(22,093)	-	5,562	-	(24,007)	(1,484)	(37,291)	800	(69,204)	-	-	(147,717)
Reinsurance share in claims incurred	(116,884)	(445)	(371,922)	-	(25,207)	(7,135)	(805,899)	(2,922)	(82,330)	-	-	(1,412,744)
Net insurance claims incurred	42,414	2,852,758	95,875	-	-	789	1,790	322	10,196	57,967	2,493,054	5,555,165

21 Net reinsurance commission income

In thousand Armenian drams	2022 Reinsurance commission	2022 Reinsurance commission refund as per cancellations	2022 Net reinsurance commission	2021 Reinsurance commission	2021 Reinsurance commission refund as per cancellations	2021 Net reinsurance commission
Accident insurance	42,910	(4,936)	37,974	32,184	(2,834)	29,350
Health insurance	4,802	-	4,802	5,378	(46)	5,332
Land vehicles (Motor) insurance	147,667	(18,848)	128,819	126,795	(7,547)	119,248
Aircraft insurance	155	-	155	-	-	-
Cargo insurance	4,832	(40)	4,792	21,886	(276)	21,610
Property insurance from fire, natural forces and other damages	337,446	(19,388)	318,058	284,396	(44,579)	239,817
Voluntary MTPL	5,287	(75)	5,212	6,553	(116)	6,437
Aircraft liability insurance	192	-	192	-	-	-
General liability insurance	36,636	(1,074)	35,562	28,857	(697)	28,160
Financial loss insurance	12,533	(229)	12,304	18,312	(3,197)	15,115
Assistance (Travel) insurance	7,003	(53)	6,950	5,555	-	5,555
Total	599,463	(44,643)	554,820	529,916	(59,292)	470,624

22 Acquisition costs

In thousand Armenian drams	2022	2021
Commission to agents		
Accident insurance	130,301	27,909
Health insurance	588,615	118,580
Land vehicles (Motor) insurance	152,874	74,306
Property insurance from fire, natural forces and other damages	199,748	93,426
Assistance (Travel) insurance	74,490	49,996
CMTPL	454,561	395,341
Other	64,220	12,675
	1,664,809	772,233
Commission to brokers		
Land vehicles (Motor) insurance	520	1,691
Cargo insurance	166	3,959
Property insurance from fire, natural forces and other damages	36,318	32,304
Voluntary MTPL	21	21
General liability insurance	11,424	10,679
Other	18,871	18,759
	67,320	67,413
Medical check-up and other acquisition costs	33,545	36,963
Total acquisition costs	1,765,674	876,609

23 Impairment charge

In thousand Armenian drams	2022	2021
Insurance receivables impairment charge, including		
- Insurance premium impairment charge	40,883	19,493
- Subrogation and insurance prepayments' impairment charge/(reversal)	18,954	(4,360)
Total impairment charge	59,837	15,133

24 Net other insurance costs

In thousand Armenian drams	2022	2021
Regular payments to the bureau	69,940	55,574
Cost of using the ASWA program	255,247	280,649
Membership fee to the National Agricultural Insurance Agency	57,396	28,420
Other insurance costs	-	900
Total other insurance costs	382,583	365,543
Net income from calculation of direct claims	26,473	65,134
Other insurance income	126,335	42,117
Total other insurance income	152,808	107,251
Net other insurance costs	229,775	258,292

The costs of using the ASWA program were paid for the use of the ASWA online platform, which is designed to organize all the procedures of the CMTPL insurance system in a unified online environment. The decision to use the ASWA online platform was made by the Central Bank of Armenia, and the platform became available for use since January 2017.

Regular payments to the Bureau have resumed in 2021.

25 Net investment income

In thousand Armenian drams	2022	2021
Interest income from funds invested in banks	165,958	173,185
Interest income from investment securities available-for-sale	446,750	398,336
Interest income from securities under sale and repurchase agreements	124,511	221,077
Income from sale of investment securities available-for-sale	-	4
Income from investment property	6,550	9,796
Interest income from borrowings provided	-	1,147
Total investment income	743,769	803,545

In thousand Armenian drams	2022	2021
Interest expenses on repurchase agreements with banks	121,891	175,595
Interest expenses on lease	5,504	8,262
Interest expenses for borrowings from non-resident entities	1,449	-
Loss from sale of available-for-sale investment securities	2,230	-
Banking costs related to investment activities	893	695
Total investment expenses	131,967	184,552
Total investment income	611,802	618,993

26 Staff costs

In thousand Armenian drams	2022	2021
Salaries and similar payments	819,187	893,944
Bonuses and additional payments	312,586	246,050
Vacation payments	98,501	98,508
Other staff costs	15,462	12,936
Total staff costs	1,245,736	1,251,438

27 Other operating and administrative expenses

In thousand Armenian drams	2022	2021
Repair and maintenance (Property and equipment, intangible assets)	23,901	26,730
System maintenance	108,265	49,603
Expenses of short term and low value assets leases	1,340	6,897
Advertising costs	7,190	7,197
Business trip expenses	5,822	5,021
Communications	20,597	21,942
Taxes, other than income tax, duties	57,076	26,694
Consulting and other services	49,995	36,015
Security	5,977	4,867
Representative expenses	6,798	6,868
Bank services	34,465	22,801
Office supplies	42,710	38,183
Membership fees	2,030	1,656
Assets given on gratis basis	1,750	4,155
Other expenses	7,452	26,991
Total other operating and administrative expenses	375,368	285,620

28 Income tax expense

In thousand Armenian drams	2022	2021
Current tax expense	126,109	190,057
Deferred tax	86,679	(44,038)
Total income tax expense	212,788	146,019

The corporate income tax rate in the Republic of Armenia is 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% (2021: 18%).

Numerical reconciliation between the tax expenses and accounting profit is provided below:

In thousand Armenian drams	2022	Effective rate (%)	2021	Effective rate (%)
Profit before tax	1,150,291		787,366	
Income tax	207,052	18	141,726	18
Non-deductible expenses	21,278	2	6,259	-
Foreign exchange differences	(15,542)	(1)	(1,966)	1
Total income tax expense	212,788	19	146,019	19

Deferred tax calculation in respect of temporary differences:

In thousand Armenian drams	2021	Recognized in profit or loss	Recognized in other comprehensive income	2022 Net	2022 Deferred tax asset	2022 Deferred tax liability
Property and equipment	(41,057)	8,510	(13,547)	(46,094)	-	(46,094)
Other assets	10	-	-	10	10	-
Deferred acquisition costs	(61,867)	(71,949)	-	(133,816)	-	(133,816)
Insurance and reinsurance receivables	(3,450)	(2,453)	-	(5,903)	-	(5,903)
Deposits in banks	(3,560)	-	-	(3,560)	-	(3,560)
Investment securities available-for-sale	104,652	-	95,803	200,455	200,455	-
Cash	(49)	-	-	(49)	-	(49)
Insurance contract liability	(32,292)	(11,801)		(44,093)		(44,093)
Revenues of future periods	26,421	(6,448)	-	19,973	19,973	-
Other liabilities	45,436	(2,538)	-	42,898	42,898	-
Deferred tax asset/(liability)	34,244	(86,679)	82,256	29,821	263,336	(233,515)

In thousand Armenian drams	2020	Recognized in profit or loss	Recognized in other comprehensive income	2021 Net	Deferred tax asset	Deferred tax liability
Property and equipment	(39,957)	3,455	(4,555)	(41,057)	-	(41,057)
Other assets	5,582	(5,572)	-	10	10	-
Deferred acquisition costs	(44,006)	(17,861)	-	(61,867)	-	(61,867)
Insurance and reinsurance receivables	(6,758)	3,308	-	(3,450)	-	(3,450)
Deposits in banks	(3,962)	402	-	(3,560)	-	(3,560)
Available for sale financial assets	32,283	-	72,369	104,652	104,652	-
Cash	(163)	114	-	(49)	-	(49)
Revenues of future periods	26,504	(83)	-	26,421	26,421	-
Other liabilities	(47,131)	60,275	-	13,144	13,144	-
Deferred tax asset/(liability)	(77,608)	44,038	67,814	34,244	144,227	(109,983)

29 Contingent liabilities and commitments

Tax and legal matters

The taxation system in Armenia is relatively new and is characterized by frequently changing legislation, official announcements and court decisions, which are often unclear, contradictory and subject to interpretation. Taxes are due to examinations and interpretations by tax authorities, which are liable to present fines and penalties. In case of breach of tax legislation, the tax authorities could not apply additional tax liabilities, fines and penalties related to more than 3 calendar years preceding the year of a review.

These circumstances in Armenia could give rise to tax risks, which are more significant than in other countries. Management believes that the Company has completely settled all its tax liabilities, based on tax legislation, official announcements and court decisions and comments applied in Armenia. Nevertheless, the interpretations of corresponding authorities could differ and if management will succeed to force their recommendations, then the influence on these financial statements could be significant.

Management believes that the Company has complied with all regulations and has completely settled all its tax liabilities.

The Company has formed provisions in the notified claims reserves for legal actions regarding the claims.

Management also believes that the ultimate liability, if any, arising from other 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.

Therefore, the Company has not made any respective provision related to such tax and legal matters.

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. However, as of 31 December 2022 the Company’s transportation is insured. 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.

Starting from 2010 the Company is member of Armenian compulsory motor insurance bureau (hereinafter «the Bureau»). The purpose of the Bureau is to protect injured parties and contribute to the development and stability of the Compulsory motor insurance. The Bureau's member insurance companies perform single, periodic or supplementary payments. The Bureau compensates injured parties through the guarantee fund, if:

- The damaged vehicle or the party having signed a Compulsory motor insurance contract on the mentioned vehicle is unknown (in this case only the damage to injured parties is compensated),
- A damage has been caused as a result of use of a vehicle, on which a Compulsory motor insurance contract has not been signed,
- The damage has been caused through a stolen vehicle or illegally owned vehicle without no stealing purposes,
- The insurance company having written an insurance contract on the damaged vehicle has been recognized insolvable, if the latter was obliged to compensate the damage, as well as in other cases set by the law.

30 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 parent company is INGOSSTRAKH ICJSC, registered in Russian Federation, which owns 99.9% of the voting shares of the 75% shareholder of Invest-Polis CJSC. INGOSSTRAKH ICJSC does not have ultimate controlling party or entity.

The Company enters into transactions with related parties in the normal course of business. Details of significant transactions carried out during the year with related parties are as follows.

In thousand Armenian drams	2022		2021	
	Shareholders and associates	**Key management personnel**	**Shareholders and associates**	**Key management personnel**
Statement of financial position				
Insurance and reinsurance receivables				
Amounts due from policyholders				
Balance outstanding at January 1	244	728	121	584
Increase during the year	10,799	2,958	5,727	2,938
Decrease during the year	(10,914)	(2,947)	(5,604)	(2,794)
Balance outstanding at December 31	129	739	244	728
Amounts due from reinsurers				
Balance outstanding at January 1	-	-	-	-
Increase during the year	151,721	-	79,680	-
Decrease during the year	(143,168)	-	(79,680)	-
Balance outstanding at December 31	8,553	-	-	-
Borrowings provided				
Balance outstanding at January 1	-	-	-	-
Increase during the year	-	-	31,147	-
Decrease during the year	-	-	(31,147)	-
Balance outstanding at December 31	-	-	-	-

In thousand Armenian drams		2022		2021
	Shareholders and associates	Key management personnel	Shareholders and associates	Key management personnel
Prepayments and other receivables				
Balance outstanding at January 1	2,561	-	-	-
Increase during the year	13,260	-	4,007	-
Decrease during the year	(337)	-	(1,446)	-
Balance outstanding at December 31	12,923	-	2,561	-
Insurance and reinsurance payables				
Balance outstanding at January 1	141,982	-	170,666	-
Increase during the year	497,954	-	431,874	-
Decrease during the year	(540,481)	-	(460,558)	-
Balance outstanding at December 31	99,455	-	141,982	-
Statement of profit or loss and other comprehensive income				
Gross written premiums	9,581	3,897	5,579	2,656
Gross claims	-	(1,255)	(1,670)	(2,275)
Premiums written to reinsurers	(349,940)	-	(252,794)	-
Reinsurers' share in gross claims	20,909	-	24,158	-
Acquisition cost	(9,446)	-	(12,945)	-
Purchase of property and equipment	(12,923)	-	(2,561)	-

Compensation of key management personnel was comprised of the following:

In thousand Armenian drams	2022	2021
Salaries and bonus payments	560,725	409,292
Total key management compensation	560,725	409,292

31 Fair value measurement

The Company's Management determines the policies and procedures for regular pricing of fair value of unquoted available-for-sale financial assets and buildings.

External valuators are involved for valuation of significant assets, such as properties. Involvement of external valuators is decided upon annually by the Company's Management.

At each reporting date, the Company's Management analyses the movements in the values of assets and liabilities which are required to be re-assessed as per the Company's accounting policies. For this analysis are verified the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Company in conjunction with the external values, also compares each change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Financial and non-financial assets and liabilities are presented according to 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).

31.1 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. Unearned insurance premiums and reinsurers' share in unearned premiums have been removed from analysis as those are not considered contractual obligations.

In thousand Armenian drams	31 December 2022				
	Level 1	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Financial assets					
Insurance and reinsurance receivables	-	2,338,944	-	2,338,944	2,338,944
Reinsurance assets	-	1,047,263	-	1,047,263	1,047,263
Deposits in banks	-	1,980,332	-	1,980,332	1,980,332
Cash	-	30,853	-	30,853	30,853
Financial liabilities					
Insurance contract liabilities	-	2,177,998	-	2,177,998	2,177,998
Insurance and reinsurance payables	-	750,812	-	750,812	750,812
Borrowings received	-	171,279	-	171,279	186,162
Repurchase agreements with banks	-	446,335	-	446,335	446,335
Other liabilities	-	337,420	-	337,420	337,420

In thousand Armenian drams	31 December 2021				
	Level 1	**Level 2**	**Level 3**	**Total fair values**	**Total carrying amount**
Financial assets					
Insurance and reinsurance receivables	-	1,534,824	-	1,534,824	1,534,824
Reinsurance assets	-	570,697	-	570,697	570,697
Deposits in banks	-	1,977,585	-	1,977,585	1,977,585
Cash	-	27,190	-	27,190	27,190
Financial liabilities					
Insurance contract liabilities	-	1,514,239	-	1,514,239	1,514,239
Insurance and reinsurance payables	-	605,377	-	2,523,883	2,523,883
Repurchase agreements with banks	-	2,523,883	-	605,377	605,377
Other liabilities	-	326,354	-	326,354	326,354

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. The fair value of those instruments does not differ from their carrying amounts at reporting date.

31.2 Financial instruments that are measured at fair value

In thousand Armenian drams				2022
	Level 1	Level 2	Level 3	Total
Financial assets				
Securities pledged under sale and repurchase agreements	-	481,851	-	481,851
Investment securities available-for-sale	-	4,887,132	-	4,887,132
Total	-	5,358,983	-	5,358,983

In thousand Armenian drams				2021
	Level 1	Level 2	Level 3	Total
Financial assets				
Securities pledged under sale and repurchase agreements	-	2,762,934	-	2,762,934
Investment securities available-for-sale	-	3,916,238	-	3,916,238
Total	-	6,679,172	-	6,679,172

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

31.3 Fair value measurements of non-financial assets and liabilities

Fair value of the Company’s main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuators. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors at each reporting date.

The appraisal of the land and buildings owned by the Company was carried out by independent appraisers on 31 December 2022 using a combination of the comparative, income and cost methods. Management has based their estimate of the fair value of the land and building on the results of the independent appraisal.

32 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					
				Related amounts that are not offset in the statement of financial position		
	Gross amount of recognised financial liabilities	Gross amount of recognised financial liabilities in the statement of financial position	Net amount of financial liabilities in the statement of financial position	Financial instruments	Cash collateral received	Net
Financial liabilities						
Repurchase agreements with banks (Note 16)	446,335	-	446,335	(481,851)	-	(35,516)
	446,335	-	446,335	(481,851)	-	(35,516)

In thousand Armenian drams	31 December 2021					
				Related amounts that are not offset in the statement of financial position		
	Gross amount of recognised financial liabilities	Gross amount of recognised financial liabilities in the statement of financial position	Net amount of financial liabilities in the statement of financial position	Financial instruments	Cash collateral received	Net
Financial liabilities						
Repurchase agreements with banks (Note 16)	2,523,883	-	2,523,883	(2,762,934)	-	(239,051)
	2,523,883	-	2,523,883	(2,762,934)	-	(239,051)

33 Maturity analysis of assets and liabilities

The table below summarises the maturity profile of assets and liabilities of the Company based to when they are expected to be recovered or settled. See Note 34.4 for the Company's contractual undiscounted repayment obligations. For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

In thousand Armenian drams	2022							
	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
Assets								
Insurance and reinsurance receivables	375,092	1,182,563	616,121	*2,173,776*	165,168	-	*165,168*	2,338,944
Reinsurance assets	-	-	1,047,263	*1,047,263*	-	-	-	1,047,263
Deposits in banks	-	99,329	1,421,003	*1,520,332*	460,000	-	460,000	1,980,332
Securities pledged under repurchase agreements	481,851	-	-	*481,851*	-	-	-	481,851
Investment securities available-for-sale	-	-	263,617	*263,617*	2,244,760	2,378,755	*4,623,515*	4,887,132
Cash	30,853	-	-	*30,853*	-	-	-	30,853
	887,796	1,281,892	3,348,004	*5,517,692*	2,869,928	2,378,755	5,248,683	10,766,375

In thousand Armenian drams	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
								2022
Liabilities								
Insurance contract liabilities	-	-	2,177,998	*2,177,998*	-	-	-	2,177,998
Repurchase agreements with banks	446,335	-	-	*446,335*	-	-	-	446,335
Insurance and reinsurance payables	604,706	117,634	25,901	*748,241*	880	1,691	*2,571*	750,812
Borrowings received	-	-	186,162	*186,162*	-	-	-	186,162
Other liabilities	2,446	4,987	321,749	*329,182*	8,238	-	*8,238*	337,420
	1,053,487	122,621	2,711,810	*3,887,918*	9,118	1,691	10,809	3,898,727
Net position	(165,691)	1,159,271	636,194	*1,629,774*	2,860,810	2,377,064	5,237,874	6,867,648
Accumulated gap	(165,691)	993,580	1,629,774		4,490,584	6,867,648		

In thousand Armenian drams	On demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
								2021
Assets								
Insurance and reinsurance receivables	463,178	483,405	550,106	*1,496,689*	38,135	-	*38,135*	1,534,824
Reinsurance assets	-	-	570,697	*570,697*	-	-	-	570,697
Deposits in banks	-	654,801	1,189,376	*1,844,177*	133,408	-	133,408	1,977,585
Securities pledged under repurchase agreements	2,762,934	-	-	*2,762,934*	-	-	-	2,762,934
Investment securities available-for-sale	-	50,000	609,600	*659,600*	455,211	2,801,427	*3,256,638*	3,916,238
Cash	27,190	-	-	*27,190*	-	-	-	27,190
	3,253,302	1,188,206	2,919,779	*7,361,287*	626,754	2,801,427	3,428,181	10,789,468
Liabilities								
Insurance contract liabilities	-	-	1,514,239	*1,514,239*	-	-	-	1,514,239
Repurchase agreements with banks	2,523,883	-	-	*2,523,883*	-	-	-	2,523,883
Insurance and reinsurance payables	446,545	145,675	11,156	*603,376*	245	1,756	*2,001*	605,377
Other liabilities	16,649	77,910	192,666	*287,225*	39,129	-	*39,129*	326,354
	2,987,077	223,585	1,718,061	*4,928,723*	39,374	1,756	41,130	4,969,853
Net position	266,225	964,621	1,201,718	*2,432,564*	587,380	2,799,671	3,387,051	5,819,615
Accumulated gap	266,225	1,230,846	2,432,564		3,019,944	5,819,615		

34 Insurance and financial risk management

The Company's activities expose it to a variety of risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The most important types of risk are insurance risk and financial risk. The latter includes liquidity risk, market risk and credit risk.

34.1 Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Company purchases both facultative and obligatory reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on a proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure of the Company to certain classes of business.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

34.1.1 Insurance contracts

The Company principally issues the following types of general insurance contracts: motor (including passengers and third party liabilities), health, property, general liabilities, cargo, accident insurance and Compulsory Motor Third-Party Liability Insurance. Risks under general insurance policies usually cover twelve month duration.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the Company's risk appetite as decided by management. The overall aim is currently to restrict the impact of a single catastrophic event to approximately 10% of shareholders' equity. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The table below sets out the concentration of insurance contract liabilities by type of contract.

In thousand Armenian drams	2022			2021		
	Insurance contract liabilities	**Reinsurance assets**	**Net liabilities**	**Insurance contract liabilities**	**Reinsurance assets**	**Net liabilities**
Accident insurance	386,760	(194,954)	191,806	269,631	(124,820)	144,811
Health insurance	2,060,451	(25)	2,060,426	1,543,992	(524)	1,543,468
Land vehicles (Motor) insurance	777,320	(334,337)	442,983	622,172	(469,161)	153,011
Aircraft insurance	141,827	(125,775)	16,052	85,935	(83,273)	2,662
Cargo insurance	164,564	(153,296)	11,268	23,106	(14,779)	8,327
Property insurance from fire, natural forces and other damages	1,451,010	(1,173,654)	277,356	1,147,694	(1,059,738)	87,956
Voluntary MTPL	19,901	(9,173)	10,728	19,692	(15,585)	4,107
Aircraft liability insurance	87,717	(76,664)	11,053	84,529	(79,773)	4,756
General liability insurance	198,331	(140,700)	57,631	293,447	(242,014)	51,433
Financial loss insurance	168,530	(23,759)	144,771	119,350	(26,090)	93,260
Assistance (Travel) insurance	116,478	(31,943)	84,535	79,873	(30,385)	49,488
CMTPL	1,691,241	-	1,691,241	1,640,081	-	1,640,081
At December 31	7,264,130	(2,264,280)	4,999,850	5,929,502	(2,146,142)	3,783,360

The Company sets out the total aggregate exposure that it is prepared to accept in relation to general insurance risk concentrations. It monitors these exposures at the time of underwriting a risk.

The maximum loss, net of reinsurance that the Company accepts on each contract is 10% of total capital, in accordance with the regulations of the Central Bank of Armenia.

Key assumptions

The principal assumption underlying the liability estimates is that the Company's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, expected loss rations and claim numbers for each accident year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example once-off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

However, due to relatively new insurance market in Armenia, it difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate. For these reasons the Company's management regularly reviews the statistical data, market changes and other factors for a more prudential provisioning.

Sensitivities

The insurance claim liabilities are sensitive to the key assumptions shown below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non-linear.

In thousand Armenian drams			2022
	Change in assumptions in %	Effect on profit before tax	
		Gross of reinsurance	Net of reinsurance
Average claim cost	+10	(760,365)	(602,091)
	-10	760,365	602,091
Expected loss ratio	+10	(826,741)	(620,811)
	-10	826,741	620,811

In thousand Armenian drams			2021
	Change in assumptions in %	Effect on profit before tax	
		Gross of reinsurance	Net of reinsurance
Average claim cost	+10	(644,471)	(548,411)
	-10	644,471	548,411
Expected loss ratio	+10	(696,791)	(555,517)
	-10	696,791	555,517

Claims development table

The following tables show the estimate cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross insurance contract liabilities for 2022 are developed as follows:

In thousand Armenian drams	2017	2018	2019	2020	2021	2022	Total
At end of accident year	4,563,030	5,322,221	6,429,195	4,564,635	6,482,380	8,281,250	35,642,711
One year later	4,345,766	5,516,970	6,426,265	4,608,431	6,191,110	-	27,088,542
Two years later	4,388,978	5,497,711	6,560,038	4,643,771	-	-	21,090,498
Three years later	4,394,586	5,558,565	6,564,775	-	-	-	16,517,926
Four years later	4,394,587	5,516,457	-	-	-	-	9,911,044
Five years later	4,397,081	-	-	-	-	-	4,397,081
Current estimate of cumulative claims incurred	4,397,081	5,516,457	6,564,775	4,643,771	6,191,110	8,281,250	35,594,444
At end of accident year	(3,459,539)	(4,349,556)	(5,225,919)	(3,752,555)	(5,081,418)	(6,352,793)	(28,221,780)
One year later	(4,336,438)	(5,384,594)	(6,330,170)	(4,601,210)	(5,993,898)	-	(26,646,310)
Two years later	(4,378,944)	(5,442,851)	(6,532,185)	(4,636,213)	-	-	(20,990,193)
Three years later	(4,385,679)	(5,487,932)	(6,548,904)	-	-	-	(16,422,515)
Four years later	(4,391,508)	(5,492,505)	-	-	-	-	(9,884,013)
Five years later	(4,392,133)	-	-	-	-	-	(4,392,133)
Current estimate of cumulative claims incurred	(4,392,133)	(5,492,505)	(6,548,904)	(4,636,213)	(5,993,898)	(6,352,793)	(33,416,446)
Total gross insurance contract liabilities per the balance sheet	4,948	23,952	15,871	7,558	197,212	1,928,457	2,177,998

Insurance contract liabilities for 2022 net of reinsurance:

In thousand Armenian drams	2017	2018	2019	2020	2021	2022	Total
At end of accident year	3,944,604	4,798,157	6,311,029	4,255,533	5,348,104	5,929,218	30,586,645
One year later	4,001,926	5,176,836	6,333,864	4,183,357	5,295,288	-	24,991,271
Two years later	4,045,139	5,199,763	6,357,424	4,220,400	-	-	19,822,726
Three years later	4,049,792	5,211,252	6,370,614	-	-	-	15,631,658
Four years later	4,049,793	5,213,267	-	-	-	-	9,263,060
Five years later	4,052,286	-	-	-	-	-	4,052,286
Current estimate of cumulative claims incurred	4,052,286	5,213,267	6,370,614	4,220,400	5,295,288	5,929,218	31,081,073
Current estimate of cumulative claims incurred							
At end of accident year	(3,343,533)	(4,098,042)	(5,225,623)	(3,530,213)	(4,454,580)	(4,861,953)	(25,513,944)
One year later	(3,994,081)	(5,132,930)	(6,247,458)	(4,179,163)	(5,275,165)	-	(24,828,797)
Two years later	(4,036,587)	(5,163,260)	(6,338,024)	(4,214,166)	-	-	(19,752,037)
Three years later	(4,040,885)	(5,192,400)	(6,354,743)	-	-	-	(15,588,028)
Four years later	(4,046,713)	(5,196,973)	-	-	-	-	(9,243,686)
Five years later	(4,047,338)	-	-	-	-	-	(4,047,338)
Current estimate of cumulative claims incurred	(4,047,338)	(5,196,973)	(6,354,743)	(4,214,166)	(5,275,165)	(4,861,953)	(29,950,338)
Total gross insurance contract liabilities per the balance sheet	4,948	16,294	15,871	6,234	20,123	1,067,265	1,130,735

34.2 Credit risk

The Company takes on exposure to credit risk. Key areas where the Company is exposed to credit risk are:

- Debt securities and bank accounts;
- Amounts to from financial institutions;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders;
- Amounts due from insurance intermediaries.

In the further credit risk disclosures the reinsurer's part in provision for unearned premiums is excluded from reinsurance assets, as it is not a financial asset.

34.2.1 Maximum exposure to credit risk

The carrying amounts of the Company's financial assets best represent the maximum exposure to credit risk related to them, without taking account of any collateral held or other credit enhancements.

34.2.2 Risk concentrations of the maximum exposure to credit risk

Ratings

The table below provides information regarding the credit risk exposure of the Company at 31 December 2022 by classifying assets according to credit ratings of the counterparties set by international rating agencies.

In thousand Armenian drams	Investment category	Non-investment category	Not rated	Total
Insurance and reinsurance receivables	601,089	-	1,737,855	2,338,944
Reinsurance assets	310,673	-	736,590	1,047,263
Deposits in banks	-	951,691	1,028,641	1,980,332
Securities pledged under repurchase agreements	-	481,851	-	481,851
Investment securities available-for-sale	-	4,887,132	-	4,887,132
Cash	-	25,797	5,056	30,853
As of 31 December 2022	911,762	6,346,471	3,508,142	10,766,375
As of 31 December 2021	251,354	7,531,291	3,006,823	10,789,468

34.2.3 Risk limit control and mitigation policies

The Company has a credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company’s liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties’ limits that are set each year by the Board and are subject to regular reviews. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

34.2.4 Impairment and provisioning policies

The main considerations for the financial assets impairment assessment include whether any payments are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company addresses impairment assessment into areas: individually assessed allowances and collectively assessed allowances.

Past due but not impaired financial assets

Past due financial assets include those that are only past due by a few days.

As of 31 December 2022 the Company's past due but not impaired financial assets amount to AMD 110,483 thousand (2021: AMD 123,149 thousand)

Impaired financial assets

At 31 December 2022 there are impaired financial assets of AMD 22,657 thousand (2021: AMD 57,651 thousand).

No collateral is held as security for any past due or impaired assets.

34.3 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. Market risk comprises three types of risk: interest rate risk and currency risk.

Except for the concentrations within foreign currency, the Company has no significant concentration of market risk.

34.3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board of Directors has set limits on positions by currency.

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 statement of comprehensive income (due to the fair value of currency sensitive non-trading monetary assets and liabilities) and equity. A negative amount in the table reflects a potential net reduction in the statement of comprehensive income while a positive amount reflects a net potential increase.

In thousand Armenian drams	2022		2021	
Currency	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
USD	+5	(643)	+5	(8,742)
USD	-5	643	-5	8,742

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

In thousand Armenian drams	Armenian Dram	Freely convertible currencies	Non-freely convertible currencies	Total
Assets				
Insurance and reinsurance receivables	2,300,310	38,634	-	2,338,944
Reinsurance assets	1,047,263	-	-	1,047,263
Deposits in banks	1,917,863	62,469	-	1,980,332
Securities pledged under repurchase agreements	481,851	-	-	481,851
Investment securities available-for-sale	4,887,132	-	-	4,887,132
Cash	30,853	-	-	30,853
Total assets	10,665,272	101,103	-	10,766,375
Liabilities				
Insurance contract liabilities	2,177,998	-	-	2,177,998
Repurchase agreements with banks	446,335	-	-	446,335
Insurance and reinsurance payables	644,379	106,433	-	750,812
Borrowings received	186,162	-	-	186,162
Other liabilities	329,892	7,528	-	337,420
Total liabilities	3,784,766	113,961	-	3,898,727
Net position as of 31 December 2022	6,880,506	(12,858)	-	6,867,648
Total financial assets	10,707,080	82,388	-	10,789,468
Total financial liabilities	4,721,316	248,537	-	4,969,853
Net position as of 31 December 2021	5,985,764	(166,149)	-	5,819,615

Freely convertible currencies represent mainly US dollar amounts, but also include currencies from other OECD countries. Non-freely convertible amounts relate to currencies of CIS countries, excluding Republic of Armenia. The reinsurer's part in provision for unearned premiums is excluded from reinsurance assets, as it is not a financial asset.

34.4 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 has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily bases. 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 and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. 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 Company calculates the liquidity ratio in accordance with the requirement of the Central Bank of Armenia.

The Company has taken advantage of point d (i) of the paragraph 39 of IFRS 4, by disclosing the information on estimated timing of net undiscounted cash flows from insurance liabilities as of 31 December 2022, instead of the disclosure of maturities required by point a) of 39 paragraph of IFRS 7. See note 33 for the expected maturities of these liabilities.

In thousand Armenian drams	Carrying amount	Estimated net undiscounted cash flow		
		Up to 1 year	More than 1 year	Total
As of 31 December 2022				
Insurance liabilities	2,177,998	2,177,998	-	2,177,998
Total	2,177,998	2,177,998	-	2,177,998
As of 31 December 2021				
Insurance liabilities	1,514,239	1,514,239	-	1,514,239
Total	1,514,239	1,514,239		1,514,239

34.5 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 behaviour.

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. 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 authorisation 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; and
- risk mitigation.

Compliance with Company standards is supported by a program of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the Company to which they relate, with summaries submitted to the Board.

35 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	Lease payments	Repurchase agreements with banks	Borrowings received	Total
Carrying amount at 1 January 2021	92,030	2,470,113	-	2,562,143
Proceeds from issue	-	74,628,106	-	74,628,106
Redemption	(33,334)	(74,749,931)	-	(74,783,265)
Other	8,262	175,595	-	183,857
Carrying amount at 31 December 2021	66,958	2,523,883	-	2,590,841
Proceeds from issue	-	45,885,204	203,080	46,088,284
Redemption	(33,333)	(48,084,643)	(18,367)	(48,136,343)
Other	5,504	121,891	1,449	128,844
Carrying amount at 31 December 2022	39,129	446,335	186,162	671,626

36 Capital adequacy

The Company maintains an actively managed capital base to cover risks inherent in the business. The Company's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Armenia in supervising the Company.

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 to maximise shareholders' value.

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. No changes were made in the objectives, policies and processes from the previous years.

Regulatory capital consists of Tier 1 capital, which comprises share capital, retained earnings including current year profit, and general reserve. Regulatory capital is calculated in accordance with the requirements of the Central Bank of Armenia. The other component of regulatory capital is Tier 2 capital, which includes revaluation reserves.

The minimum ratio between total capital, required solvency and risk weighted assets required by the Central Bank of Armenia is 100%.

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

The Company’s total capital, risk weighted assets and required solvency amounts as of December 31 2022 and 2021, calculated in accordance with the CBA requirements, are presented below:

In thousand Armenian drams	**2022 (unaudited)**	**2021 (unaudited)**
Tier 1 capital	5,432,925	3,957,595
Tier 2 capital	(735,399)	(474,885)
Total regulatory capital	4,697,526	3,482,710
Risk-weighted assets	611,854	468,054
Required solvency	2,858,617	2,238,706
Capital equivalent norm (regulatory norm N1.2)	135%	129%

As of 31 December 2022 the Central Bank of Armenia has set the minimal required total capital at AMD 1,500,000 thousand.