“INGO ARMENIA”
Insurance Closed Joint Stock Company

FINANCIAL STATEMENTS
in Armenian Drams

31 DECEMBER 2023

YEREVAN 2024

CONTENTS

Independent Auditor’s Report	3
Statement of Financial Position	6
Statement of Profit or Loss and other Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10

bakertilly

Baker Tilly Armenia CJSC
22 Hanrapetutyan Street
0010 Yerevan, Republic of Armenia
Tel: +374(10) 544-301/307/309
Email: info@bakertillyarmenia.com
www.bakertilly.am

19 April 2024
№ 012408

CONFIRMED BY:

V. GEVORGYAN

General Director
Baker Tilly Armenia CJSC

INDEPENDENT AUDITOR'S REPORT

To Shareholders and Board of
"INGO Armenia" Insurance CJSC

Opinion

We have audited the financial statements of "INGO Armenia" Insurance CJSC (the Company), which comprise the Statement of Financial Position as at 31 December 2023, the Statement of Profit or Loss and other Comprehensive Income, the Statement of Changes in Equity, and the 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 at 31 December 2023, 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 Auditors' 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 (IESBA Code) and with the ethical requirements that are relevant to our audit of the financial statements in Armenia, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements in the auditor's report dated 14 April 2023.

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 IFRS, 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 judgement 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, then 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.
- Obtain sufficient appropriate audit evidence regarding the financial information or business activities of the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Auditor

M. Ponamareva

19.04.2024

Statement of Financial Position

As at 31 December 2023

	Notes	31 December 2023	31 December 2022 restated
			AMD ths.
Assets			
Property and equipment	7	1,241,491	1,316,691
Investment property		81,000	73,900
Intangible assets	8	227,536	159,182
Other assets		24,734	12,182
Deferred tax asset	21	-	38,105
Income tax prepayment		-	25,937
Assets regarding reinsurance contracts	10	2,785,318	2,243,640
Deposits with banks	11	2,478,078	1,980,332
Securities pledged under repurchase agreements	12	5,202,393	481,851
Investment securities available for sale	12	3,650,147	4,877,110
Cash and cash equivalents	13	42,341	30,853
Total assets		**15,733,038**	**11,239,783**
Liabilities and equity			
Equity			
Share capital	14	2,536,260	2,536,260
Other reserves		233,544	(262,451)
Retained earnings		2,393,103	2,776,154
Total equity		**5,162,907**	**5,049,963**
Liabilities			
Current tax liability		16,368	-
Liabilities regarding insurance contracts	9	4,287,883	5,212,293
Liabilities regarding reinsurance contracts	10	887,561	-
Credits received		169,720	186,162
Repurchase agreements with banks	15	4,970,722	446,335
Deferred tax liability	21	77,057	-
Other liabilities	16	160,820	345,030
Total Liabilities		**10,570,131**	**6,189,820**
Total liabilities and equity		**15,733,038**	**11,239,783**

Rafik Suvaryan
Executive Director

Jasmen Minasyan
Chief Accountant

19.04.2024

The Notes 1 to 28 are an integral part of these financial statements.

Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2023

AMD ths.

	Notes	**2023**	**2022 (restated)**
Gross premiums written	17	17,262,444	14,849,903
Insurance service expenses	17	(12,177,787)	(9,607,669)
Net expenses regarding reinsurance contracts	17	(3,038,669)	(2,529,234)
Insurance activity results		**2,045,988**	**2,713,000**
Net investment income	18	658,873	611,802
Impairment expense		(22,666)	-
Depreciation and amortization expense		(177,100)	(179,408)
Personnel expenses	19	(1,056,101)	(1,245,736)
Other operating and administrative expenses	20	(646,923)	(815,621)
Gain from revaluation of non trading assets and liabilities in foreign currency, net		19,270	86,345
Loss from foreign currency transactions		(11,202)	(20,091)
Profit / (loss) before taxation		810,139	1,150,291
Income tax (expense) / refund	21	(146,314)	(212,788)
Profit / (loss) for the year		663,825	937,503
Items that are not reclassified subsequently to profit or loss			
Revaluation of property and equipment		54,554	75,261
Income tax relating to items that are not reclassified		(9,820)	(13,547)
Net gain from items not reclassified subsequently to profit or loss		44,734	61,714
Items that have been or may subsequently be reclassified to profit or loss			
Net change in fair value of investment securities available for sale		404,385	(436,437)
Other comprehensive income for the year, net of income tax		449,119	(374,723)
Total comprehensive income for the year		1,112,944	562,780

Statement of Changes in Equity

For the year ended 31 December 2023

AMD ths.

	Share capital	General reserve	Revaluation reserve for investment securities	Revaluation reserve for Property and equipment	Retained earnings	Total
Balance at 01 January 2022	2,536,260	281,083	(476,751)	207,902	1,976,424	4,524,918
Dividends	-	-	-	-	-	-
Allocation to the reserve	-	46,875	-	-	(46,875)	-
Total transactions with owners	-	46,875	-	-	(46,875)	-
Profit for the year	-	-	-	-	937,503	-
Other comprehensive income						
Fixed assets revaluation	-	-	-	75,261	-	75,261
Net unrealized loss from change in fair value of investment securities available-for-sale	-	-	(534,470)	-	-	(534,470)
Net gain reclassified to profit or loss on disposal of investment securities available-for-sale	-	-	2,230	-	-	2,230
Income tax relating to component 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 at 31 December 2022	2,536,260	327,958	(913,188)	269,616	2,867,052	5,087,698
Impact of IFRS 17and IFRS 9	-	-	53,163	-	(90,902)	(37,739)
Balance as at 31 December 2022 (restated)	**2,536,260**	**327,958**	**(860,025)**	**269,616**	**2,776,150**	**5,049,959**
Dividends	-	-	-	-	(1,000,000)	(1,000,000)
Allocation to the reserve	-	46,875	-	-	(46,875)	-
Total transactions with owners	-	46,875	-	-	(1,046,875)	(1,000,000)
Profit for the year	-	-	-	-	663,825	663,825
Other comprehensive income						
Fixed assets revaluation	-	-	-	54,554	-	54,554
Net unrealized loss from change in fair value of investment securities available-for-sale	-	-	404,385	-	-	404,385
Net gain reclassified to profit or loss on disposal of investment securities available-for-sale	-	-	-	-	-	-
Income tax relating to component of other comprehensive income	-	-	-	(9,820)	-	(9,820)
Total comprehensive income for the year	-	-	404,385	44,734	663,825	1,112,944
Balance as at 31 December 2023	**2,536,260**	**374,833**	**(455,640)**	**314,350**	**2,393,100**	**5,162,903**

Statement of Cash Flows

For the year ended 31 December 2023

		AMD ths.
	2023	**2022**
Cash flows from operating activity		
Insurance premiums received	15,323,325	14,965,661
Reinsurance premiums ceded	(3,437,214)	(3,091,213)
Claims paid	(9,637,899)	(7,441,723)
Reinsurer's share in claims paid	1,321,876	78,508
Subrogation amounts received	161,200	179,013
Payments to employees and in their name	(997,168)	(1,194,931)
Payments to suppliers	(699,303)	(649,983)
Commissions paid	(2,010,102)	(1,650,530)
Payments regarding taxes other than income tax	(30,846)	(22,865)
Other payments	(331,919)	(259,104)
Net Cash flows from operating activity before profit tax	(338,050)	912,833
Income tax paid	(113,677)	(185,126)
Net Cash flows from / (used in) operating activity	(451,727)	727,707
Cash flows from investing activity		
Redemption and sale of investment securities	(2,492,772)	1,346,980
Purchase of property and equipment and intangible assets	(144,479)	(169,433)
Redemption of deposits	(241,848)	144,688
Payments received from investment property	2,475	3,050
Net cash flows from investing activity	(2,876,624)	1,325,285
Cash flows from financing activity		
Dividends paid	(1,000,000)	-
Payment of lease liabilities	(28,704)	(33,333)
Repayment of loans	4,380,984	(2,199,439)
Borrowings received	-	184,713
Net cash flows used in financing activity	3,352,280	(2,048,059)
Net increase / (decrease) in cash and cash equivalents	23,929	4,933
Cash and cash equivalents at the beginning of the year	30,853	27,190
Effect of exchange rate fluctuations on cash balances in foreign currencies	(12,441)	(1,270)
Cash and cash equivalents at the end of the year (Note 12)	42,341	30,853

Notes Attached to the Financial Statements
For the year ended 31 December 2023

1. General information

“INGO Armenia” Insurance closed joint stock company (hereinafter, “Company”) was incorporated on 02 September, 1997; it operates within the framework of the RA legislation. The Company was registered under the license number N0014, granted on 02.09.1997 by the Central Bank of Armenia (the “RA CB”). The Company was relicensed by the RA CB on 28.03.2008 under the license number N0005.

The Company primarily is involved in general insurance business within the territory of the Republic of Armenia. The main types of insurance contracts issued by the Company are accident, health, motor vehicles, cargo, fire and natural disasters, motor vehicles use liability, financial losses, general liability and travel insurance. Moreover, the Company carries out air and water transportation insurance, as well as the 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 Company’s registered office is located at 51, 53 Hanrapetutyan Str., areas 47, 48, 50, Yerevan, 0010, RA
As of 31 December 2023, the Company had 97 employees (2022: 209 employees).

2. Business Environment

Armenia continues to undergo political and economic changes as well as development of legal, tax and regulatory systems, 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 the 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 also included along with 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 "Ingosstrakh" open joint-stock insurance company, which is also a major reinsurance partner of the Company, the Company's management is monitoring the situation related to sanctions against Russia and Russian companies. The company has stopped the cooperation regarding reinsurance with the companies included in the sanctions lists and started the cooperation with the new partners introduced in the European market. The company actively continues negotiations with reliable partners on reinsurance.
Since the hostilities have not yet stopped, and the list of sanctions is continuously changing and expanding, it is impossible to reliably assess its final impact on both Armenia's business environment and the company's operations. However, the cooperation with new reinsurance partners, as well as the continuous cooperation with already existing partners, have significantly reduced the risk of negative impact for the Company.

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 continuously 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

These financial statements 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 its financial statements in accordance with the requirements of the RA legislation in force and International Accounting Standards. These financial statements are based on the Company’s books and records as adjusted and reclassified in order to comply with the IFRS.

3.2 Basis of measurement

The financial statements have been prepared on a fair value basis for investment securities available for sale. Other financial assets and financial liabilities as well as non - financial assets and liabilities are stated at amortized or historical cost, except for the 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 and 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 Policy

In the current year the Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The Company has not early adopted any other standard, interpretation or amendment that have been issued but are not yet effective.

- *IFRS 17 “Insurance Contracts”*
- *Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)*
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)*
- *Definition of Accounting Estimates (Amendments to IAS 8)*
- *International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)*

4. Summary of significant accounting policies

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

4.1 Financial instruments

Recognition and initial measurement

The Company initially recognizes deposits and securities as of the date of their creation. All other financial instruments (including regular way purchases and sales of financial assets) are recognised as of the transaction date when the Company becomes a party to the contractual obligation of the instrument.

Financial assets or liabilities are initially measured at fair value. For financial assets or liabilities not classified as financial instruments at fair value through profit or loss (FVTPL), transaction costs directly attributable to their acquisition or issuance are added to fair value.

Classification

Financial assets

On initial recognition, financial assets are classified into the following three main categories:
a) financial assets measured at amortized value;
b) financial assets measured at fair value through other comprehensive income (FVOCI);
c) financial assets measured at fair value through profit or loss (FVTPL).

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

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

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

- It is held under a business model, which aims at collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise to cash flows on specified dates, which are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

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

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated, e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and the expectations about future sales activity.

However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are formed.

Reclassification

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

Financial liabilities

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

Derecognition

Financial assets

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

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

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as at FVOCI is not recognised in profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions, because the Company retains all or substantially all of the risks and rewards of ownership of such assets.

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

Financial liabilities

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

Modifications of financial assets and financial liabilities

Financial assets

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

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in de-recognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognizes the amount arising from adjustment of the gross carrying amount as a modification gain or loss in profit or loss. If such a modification is made because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income.

Financial liabilities

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

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.

Impairment

The Company assesses on a forward-looking basis the 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

No impairment loss is recognised on equity financial instruments.

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

- debt investment securities that are determined to have low default risk as at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of “investment” grade.

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

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

Measurement of ECLs

Both LTECLs and 12mECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

- **PD (the Probability of Default)** is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- **EAD (the Exposure at Default)** is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- **LGD (the Loss Given Default)** is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

Restructured financial assets

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

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

Credit-impaired financial assets

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

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

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

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.

Presentation of allowances for ECL in the statement of financial position

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

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

Write-offs

Debt instruments are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Both the total carrying amount of the asset and the provision for impairment (if any) are written off immediately. The write-off is a partial or complete termination of recognition. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company 's procedures for recovery of amounts due.

4.2 IFRS 17 Insurance contracts

IFRS 17 Insurance Contracts were issued on 18 May 2017; they have been effective for annual periods beginning on or after 1 January 2023. IFRS 17 replaces 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 is based on:

- the risk-adjusted present value of future cash flows that takes into account all available fulfilment cash flows (FCF) 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 (contractual service margin - CSM). 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 measurement 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 losses 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 FCF 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 beginning 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, as they are short-term insurance contracts.

Insurance contracts

Insurance contracts are those contracts under which one of the parties (insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Insurance risk is significant only if the occurrence of an insured event could cause the insurer to pay additional amounts that are significant in any scenario, excluding scenarios that lack commercial substance (that is have no discernible effect on the economics of the transaction). The additional amounts stated above refer to the 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 is reduced significantly during this period, unless all rights and obligations are extinguished or expire.

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 dues levied on premiums.

Written premiums ceded to reinsurers

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

Claims incurred

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

Reinsurer's share of claims incurred

Reinsurer's share of claims is 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 have been 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 ratio 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.
In general, 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 to reinsurer. 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 profit or loss and other comprehensive income.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.
Reinsurance assets or liabilities are de-recognised when the contractual rights are extinguished or when the contract is transferred to another party.

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 of 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 investment securities are calculated as the difference between net sales proceeds and the original or amortised cost and are recognised on occurrence of the sale transaction.

Investment expense

Interest paid 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. Accrued interest is included within the carrying amount 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 and liabilities in foreign are recognised in the statement of profit or loss and other comprehensive income in net trading income, while gain or loss resulting from translation of non trading assets is recognized in the statement of comprehensive income in net gain or loss from foreign currency translation.
Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date.

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 the statement of profit or loss and other comprehensive income.

Non-monetary items in a foreign currency measured at historical cost are retranslated using the exchange rate at the transaction date. Non-monetary items in a foreign currency measured at fair value are translated using the exchange rate 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 are included in the revaluation reserve for investments available for sale 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 the statement of profit or loss and other comprehensive income.

The following exchange rates have been used by the Company in the preparation of the financial statements:

	December 31, 2023	December 31, 2022
AMD/1 US Dollar	404.79	393.57
AMD/1 EUR	447.90	420.06

4.5 Taxation

Income tax on the profit for the reporting year is comprised of current and deferred taxes. Income tax is recognized in the statement of profit or loss, except for the deferred taxes related to transactions the results of which are recognized in other comprehensive income, in which case those taxes are recognized in equity as well.

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 taxes paid in 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. Thus, significant additional taxes, fines and penalties may arise.

Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include even more periods.

Deferred tax is calculated using the balance sheet liability method, which takes into account all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts 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.

There are also other taxes payable by the entities operating in the Republic of Armenia. These taxes are included as a component of other operating and administrative expenses in the statement of profit or loss and other comprehensive income.

4.6 Cash means

Cash means include balances on bank accounts. Cash means are carried at amortised cost.

4.7 Deposits with banks

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

4.8 Repurchase and reverse repurchase agreements

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

Income or expense from the purchase and sale of securities is interest income or expense that is accrued over the terms of the repurchase agreements using the effective interest method.

4.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation, except for the Company buildings, that are stated at fair value less accumulated depreciation, and land 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. Land is accounted for at fair value and has infinite useful life, and therefore it 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 probable that the future economic benefits due to them exceed the expected from the initial assessment of the normative indicators of the existing asset and will flow to the Company. Depreciation of these costs is calculated over the remaining useful life of the relevant asset.
Gains or losses on disposals are determined by comparing net 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.

4.10 Investment property

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

Rental income from investment property is 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.

4.11 Intangible assets

Intangible assets include computer software, licences and other intangible assets.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization 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.

	Useful life (years)	Rate (%)
Licences and authorizations	5-10	10-20
Computer software	1-10	10-100

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

4.12 Leases

For any new contracts 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 the following three key evaluations:

- 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 assesses 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 recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is formed through 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 payments), 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 remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.
When the lease liability is remeasured, 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 when all the risks and rewards of ownership of the asset are retained by the lessor. Lease payments received under operating leases are recognized as income on a straight-line basis over the lease term in "other income" in the statement of profit or loss and other comprehensive income.

4.13 Borrowings

Borrowings, which include bank loans received are initially recognised at the fair value of the funds 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.

4.14 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.

4.15 Equity

Share capital

Ordinary shares are classified as equity. 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

Retained earnings include accumulated profit 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 or declared after the balance sheet date but before the financial statements are authorised for issue.

Revaluation reserve for Property and Equipment

The property revaluation surplus is used to record increases and decreases in the fair value of land and buildings 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 investment securities.

5. Critical accounting estimates and judgements

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

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

5.1 Judgements

Classification of investment securities

Investment securities owned by the Company include Government and corporate bonds. Upon initial recognition, the Company designates part of securities as available-for-sale financials assets, with changes in fair value through equity. Another part is classified as held to maturity financials assets.

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 determined 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.

Useful Life of property and equipment

Assessment of useful life of PPE is a 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. The following main factors are considered for evaluation of remaining useful life: expectable usage of assets, depending on the operational factors and maintenance program, 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.
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. Restatement of comparative financial statements

The Company applied the IFRS 17 "Insurance Contracts" for the first time in the current year, due to which the financial statements of the previous year were restated. As a result, the management of the Company decided to make appropriate adjustments in the financial statements, which were applied retroactively in accordance with the requirements of the IFRS 17 "Insurance Contracts" and IFRS 9 “Financial instruments”.

7. Property and equipment

AMD ths.

	Land	Buildings	Computers and communication means	Transportation means	Office equipment	Other Property and Equipment	Right of use assets	Total
Initial or revalued cost								
As at 01 January 2022	3,600	1,148,283	374,678	89,145	215,873	48,526	128,891	2,008,996
Revaluation	-	84,207	-	-	-	-	-	84,207
Addition	-	-	88,411	400	2,402	-	-	91,213
Disposal	-	-	(31,100)	(10,023)	(45,234)	-	-	(86,357)

AMD ths.

	Land	Buildings	Computers and communication means	Transportation means	Office equipment	Other Property and Equipment	Right of use assets	Total
As at 31 December 2022	3,600	1,232,490	431,989	79,522	173,041	48,526	128,891	2,098,059
Revaluation	-	62,586	-	-	-	-	-	62,586
Addition	-	-	89,608	-	4,531	-	-	94,139
Disposal			(160,494)	(400)	(104,858)	(48,526)	(128,891)	(443,169)
As at 31 December 2023	3,600	1,295,076	361,103	79,122	72,714	-	-	1,811,615
Accumulated depreciation								
As at 01 January 2022	-	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
Annual charge	-	23,062	40,553	13,003	15,063	10,019	25,778	127,478
Disposal	-		(31,087)	(6,198)	(44,032)	-	-	(81,317)
As at 31 December 2022	-	130,791	292,603	73,801	148,520	36,837	98,816	781,368
Depreciation adjustment as a result of revaluation	-	8,033	-	-	-	-	-	8,033
Annual charge	-	24,753	44,440	4,056	10,246	4,174	24,638	112,307
Disposal	-		(71,864)	(93)	(95,162)	(41,011)	(123,454)	(331,584)
As at 31 December 2023	-	163,577	265,179	77,764	63,604	-	-	570,124
Carrying amount								
As at 31 December 2022	3,600	1,101,699	139,386	5,721	24,521	11,689	30,075	1,316,691
As at 31 December 2023	3,600	1,131,499	95,921	1,359	9,110	-	-	1,241,491

Revaluation of assets

The land and buildings owned by the Company were evaluated by an independent appraiser on 31 December 2023 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 62,586 thousand. Management has based their estimate of the fair value of the property on the results of the independent appraisal.

Reclassifications

Reclassification is the transfer of real estate from property and equipment to investment property. It arose as a result of the lease of property owned by the Company. At the time of reclassification of real estate as investment property, 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 2023, as a result of the revaluation of investment property, the increase in fair value amounted to AMD 7,100 thousand, the income received from lease payments - AMD 4,546 thousand (2022: increase in fair value - AMD 3,500 thousand, the incomereceived from lease payments - AMD 3,050 thousand).

Fully depreciated items

As of 31 December 2023 fixed assets included fully depreciated assets in the initial amount of AMD 233,444 thousand (2022: AMD 291,753 thousand).

Restrictions on title of fixed assets

As of 31 December 2023 the Company does not have property pledged (2022: 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.

8. Intangible assets

AMD ths.

	Licenses and certificates	Software	Other intangible assets	Total
Initial value				
As at 1 January 2022	32,465	230,276	2,019	264,760
Addition	22,425	54,916	-	77,341
Disposal	(16,107)	-	-	(16,107)
As at 31 December 2022 г.	38,783	285,192	2,019	325,994
Addition	31,050	102,099	-	133,149
Disposal	(38,298)	(33,253)	-	(71,551)
As at 31 December 2023 г.	31,535	354,038	2,019	387,592
Accumulated amortization				
As at 1 January 2022	15,829	113,428	1,732	130,989
Amortization charge	29,441	22,287	202	51,930
Disposal	(16,107)	-	-	(16,107)
As at 31 December 2022 г.	29,163	135,715	1,934	166,812
Amortization charge	33,064	31,646	85	64,795
Disposal	(38,299)	(33,252)	-	(71,551)
As at 31 December 2023 г.	23,928	134,109	2,019	160,056
Carrying amount				
As at 31 December 2022 г.	9,620	149,477	85	159,182
As at 31 December 2023 г.	7,607	219,929	-	227,536

As of 31 December 2023, the Company does not possess any intangible assets pledged as security for liabilities or whose title is otherwise restricted (2022: either).

9. Assets and liabilities regarding insurance contracts

AMD ths.	Liability for remaining coverage (LRC)		Liability for Incurred Claims (LIC).				Total	
	2023	2022	Present value of future cash flows 2023	Risk adjustment regarding non-financial risk 2023	Present value of future cash flows 2022	Risk adjustment regarding non-financial 2022	2023	2022
Insurance liabilities	(3,058,656)	(2,967,633)	(2,117,554)	(36,083)	(1,418,338)	(62,444)	(5,212,293)	(4,448,415)
Insurance assets	-	-	-	-	-	-	-	-
Net balance at the beginning of the period	(3,058,656)	(2,967,633)	(2,117,554)	(36,083)	(1,418,338)	(62,444)	(5,212,293)	(4,448,415)
Insurance revenue	**17,262,444**	**14,849,903**	**-**	**-**	**-**	**-**	**17,262,444**	**14,849,903**
Claims incurred and other directly attributable expenses	-	-	(9,724,650)	-	(7,464,164)	-	(9,724,650)	(7,464,164)
Subrogation income	-	-	165,856	-	163,522	-	165,856	163,522

AMD ths.	**Liability for remaining coverage (LRC)**		**Liability for Incurred Claims (LIC).**				**Total**	
	2023	**2022**	**Present value of future cash flows 2023**	**Risk adjustment regarding non-financial risk 2023**	**Present value of future cash flows 2022**	**Risk adjustment regarding non-financial 2022**	**2023**	**2022**
Changes in previous years service	-	-	(386,129)	(80,125)	(665,318)	26,364	(466,254)	(638,954)
Amortization of insurance acquisition cash flows	(2,152,739)	(1,668,073)	-	-	-	-	(2,152,739)	(1,668,073)
Insurance service cost	**(2,152,739)**	**(1,668,073)**	**(9,944,923)**	**(80,125)**	**(7,965,960)**	**26,364**	**(12,177,787)**	**(9,607,669)**
Insurance service result	**15,109,705**	**13,181,830**	**(9,944,923)**	**(80,125)**	**(7,965,960)**	**26,364**	**5,084,657**	**5,242,234**
Financial expense from insurance contracts	139	(3,023)	4,079	-	(1,602)	-	4,218	(4,625)
Amount reflected in other comprehensive income	**15,109,844**	**13,178,807**	**(9,940,844)**	**(80,125)**	**(7,967,562)**	**26,364**	**5,088,875**	**5,237,609**
Cash flows								
Payments received	(14,646,049)	(14,324,807)	-	-	-	-	(14,646,049)	(14,324,807)
Claims paid and other directly attributable expenses	-	-	9,656,298	-	7,396,455	-	9,656,298	7,396,455
Subrogation	-	-	(162,219)	-	(180,174)	-	(162,219)	(180,174)
Insurance acquisition cash flows	945,041	1,154,957	-	-	-	-	945,041	1,154,957
Cash flows before settoff	(13,701,008)	(13,169,850)	9,494,079	-	7,216,281	-	(4,206,929)	(5,953,569)
Setoff	(374,693)	(99,692)	417,157	-	51,774	-	42,464	(47,918)
Total cash flows	(2,024,513)	(3,058,368)	(2,147,162)	(116,208)	(2,117,845)	(36,080)	(4,287,883)	(5,212,293)
Insurance liabilities	(2,024,513)	(3,058,368)	(2,147,162)	(116,208)	(2,117,845)	(36,080)	(4,287,883)	(5,212,293)
Insurance assets	-	-	-	-	-	-	-	-
Net balance at the end of the period	**(2,024,513)**	**(3,058,368)**	**(2,147,162)**	**(116,208)**	**(2,117,845)**	**(36,080)**	**(4,287,883)**	**(5,212,293)**

Risk adjustment for non-financial risk was calculated using the unearned profits methodology. For each class of insurance the level of earned profit is calculated. In case the Company has earned the intended level of profit for the given class of insurance, then there is no need to form a risk margin; otherwise, if there is an unearned part of the profit, then the Company will form an appropriate level of risk margin. The company sets average profit levels for voluntary and mandatory insurance classes, namely 10% for voluntary types of insurance, and 2.5% - for mandatory types (MTPL, compulsory health insurance, rural insurance). The risk adjustment for calculated non-financial risk corresponds to a 92 percent confidence level.

The movement of deferred acquisition costs and income of future periods is presented below:

Deferred acquisition costs	*AMD ths.* **Total**
As at 1 January 2022	**343,709**
Deferred acquisition costs	2,165,391
Acknowledgment of costs	(1,765,674)
As at 31 December 2022	**743,426**
Deferred acquisition costs	2,688,423
Acknowledgment of costs	(2,773,370)
As at 31 December 2023	**658,479**

Future periods income

As at 1 January 2022	**146,787**
Deferred reinsurance commissions	**518,999**
Acknowledgment of income	**(554,820)**
As at 31 December 2022	**110,966**
Deferred reinsurance commissions	**606,158**
Acknowledgment of income	**(645,581)**
As at 31 December 2023	**71,543**

10. Assets and liabilities regarding reinsurance contracts

AMD ths.	**Liability for remaining coverage (LRC)**		**Liability for Incurred Claims (LIC).**				**Total**	
	2023	**2022**	**Present value of future cash flows 2023**	**Risk adjustment regarding non-financial risk 2023**	**Present value of future cash flows 2022**	**Risk adjustment regarding non-financial 2022**	**2023**	**2022**
Reinsurance liabilities	-	-	-	-	-	-	-	-
Reinsurance assets	593,432	1,003,384	1,650,128	80	575,902	-	2,243,640	1,579,286
Net balance at the beginning of the period	593,432	1,003,384	1,650,128	80	575,902	-	2,243,640	1,579,286
Net income / (expense) from reinsurance contracts	-	-	-	-	-	-	-	-
Reinsurance expenses	(6,000,058)	(5,078,114)	-	-	-	-	6,000,058)	(5,078,114)
Income from reinsurance commissions	248,205	500,959	-	-	-	-	248,205	500,959
Reimbursed claims	-	-	(2,651)	-	(11,457)	-	(2,651)	(11,457)
Subrogation reinsurance	-	-	-	-	-	-	-	-
Balances redemption	-	-	-	-	-	-	-	-
Changes in previous years service	-	-	486,117	(80)	476,564	80	486,037	476,644
Net result from reinsurance contracts	**(5,751,853)**	**(4,577,155)**	**483,466**	**(80)**	**465,107**	**80**	**(5,268,467)**	**(4,111,968)**
Financial expense from reinsurance contracts	18,251	101,627	(5,762)	-	(64)	-	12,489	101,563
Amount reflected in other comprehensive income	(5,733,602)	(4,475,528)	477,704	(80)	465,043	80	(5,255,978)	(4,010,405)
Cash flows	-	-	-	-	-	-	-	-
Reimbursements paid	4,000,554	3,077,818	-	-	-	-	4,000,554	3,077,818
Reinsurance claims paid	-	-	902,371	-	1,580,768	-	902,371	1,580,768
Subrogation - reinsured part	-	-	-	-	-	-	-	-
Total cash flows	**4,000,554**	**3,077,818**	**902,371**	**-**	**1,580,768**	**-**	**4,902,925**	**4,658,586**
Balances setoff	252,055	987,758	(244,885)	-	(971,585)	-	7,170	16,173
End of the period balance,net	(887,561)	593,432	2,785,318	-	1,650,128	80	1,897,757	2,243,640
Reinsurance assets	-	593,432	2,785,318	-	1,650,128	80	2,785,318	2,243,640
Reinsurance liabilities	(887,561)	-	-	-	-	-	(887,561)	-
End of the period balance,net	(887,561)	593,432	2,785,318	-	1,650,128	80	1,897,757	2,243,640

11. Deposits with 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 2023, deposits in other financial institutions in amount of AMD 1,930,870 thousand (77.9%) were due from 3 banks (2022: AMD 1,543,518 thousand (77.9%) were due from 3 banks).

12. Investment securities

	Драмы РА (в тысячах) 2023	2022
Investment securities at amortized cost		
RA Government securities	1,817,253	-
Total Investment securities at amortized cost	**1,817,253**	**-**

Investment securities available for sale		
RA Government securities	1,840,858	4,887,132
Total Investment securities available for sale	**1,840,858**	**4,887,132**
Investment securities pledged under sale and repurchase agreements		
RA Government securities	5,202,393	481,851
Total Investment securities pledged under sale and repurchase agreements	**5,202,393**	**481,851**

All investment securities have fixed interest.
Pledged securities are those financial assets that are pledged to banks under repurchase agreements, with the right to sell and re-mortgage by the partner in the absence of the Company's default, but on the condition that the partner returns the securities at the end of the contract. The Company has determined that it retains all of the principal risks and rewards associated with these securities and therefore does not derecognize them.

Available-for-sale investment securities by effective interest rates and terms include:

AMD ths.

	2023		2022	
	%	term	%	term
Government bonds	7.26-11.7	2024-2050	11.3-12.0	2023-2050
Corporate bonds	10-11	2024-2025	-	-

Available-for-sale debt securities with a fair value of AMD 4,047,553 thousand (2022: AMD 481,851 thousand) were sold under repurchase agreements to third parties. They have been reclassified as securities pledged under repurchase agreements in the balance sheet on a separate line.

13. Cash and Cash equivalents

As of December 31, 2023, accounts with the amount of AMD 42,341 thousand (91.5%) were concentrated in 4 banks (in 2022: AMD 30,853 thousand (86%) - concentrated in 4 banks).

14. Equity

As of 31 December 2023, the registered and fully paid share capital of the Company comprised AMD 2,536,260 thousand. According to the Company charter, the share capital consists of 4,124 ordinary shares with a nominal value of AMD 615,000 each.
The shareholders of the Company as of 31 December 2023 and 2022 are presented below:

AMD ths/	Paid-in share capital	% of total capital
Levon Altunyan	634,065	25
«Invest - Polis» CJSC	1,902,195	75
	2,536,260	100

As of 31 December 2023, there were no shares repurchased by the Company.
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.

Distributable among shareholders reserves equal the amount of retained earnings, determined according to the Armenian legislation. Non-distributable reserves are represented by general reserve, which has been created as required by the statutory regulations, in respect of general insurance risks, including possible 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 2023 the Company increased its general reserve by AMD 46,875 thousand (2022: AMD 46,875 thousand) using the retained earnings.

15. Repurchase agreements with banks

AMD ths.	**Assets**		**Liabilities**	
	2023	**2022**	**2023**	**2022**

Repurchase agreements	5,202,393	481,851	4,970,722	446,335
	5,202,393	481,851	4,970,722	446,335

16. Other liabilities

		AMD ths.
	2023	**2022**
Lease liabilities	-	39,129
Accounts payable	45,938	46,580
Payables to Armenian Motor Insurers' Bureau	-	17,768
Liabilities towards personnel	87,849	194,377
Other payables	3,028	2,868
Total other financial liabilities	136,815	300,722
Tax liabilities other than income tax	24,005	44,308
Total other liabilities	160,820	345,030

Lease liabilities

The Company has entered into office space lease contracts. 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.

Movement of lease liabilities during the period is presented below.

		AMD ths.
	31 December 2023	**31 December 2022**
As at January 1	39,129	66,958
Accrued interest	-	5,504
Payments	(39,129)	(33,333)
Total lease liabilities as at 31 December	**-**	**39,129**

The weighted average interest rate on lease liabilities recognised under IFRS 16 is 11%.
The lease liabilities are secured by the related underlying assets.

17. Insurance revenue and insurance service result

AMD ths.	Accident insurance		Land vehicles (Motor) insurance	Aircraft insurance	Cargo insurance	Insurance from fire and natural forces	Property insurance from other damages	Voluntary MTPL	Aircraft (also cargo) liability insurance	General liability insurance	Guarantee provision	Financial loss insurance	Assistance (travel) insurance	Compalsory MTPL	31 December 2023
Gross insurance premium revenue	**872,208**	**5,497,188**	**1,163,596**	**201,863**	**93,083**	**3,517,102**	**1,267,618**	**37,400**	**-**	**415,670**	**60,842**	**359,398**	**582,737**	**3,193,739**	**17,262,444**
Current year claims	(109,353)	(4,449,222)	(505,028)	-	(57,768)	(267,249)	(1,904,320)	(2,038)	-	(410)	-	-	(101,696)	(2,327,566)	(9,724,650)
Subrogation income	-	-	14,090	-	-	322	-	-	-	-	-	-	-	151,444	165,856
Changes regarding previous year services	39,736	(209,734)	(31,119)	533	(64,379)	(28,152)	(80,124)	102	-	19,361	-	-	(593)	(111,885)	(466,254)
Acquisition cash flows amortization	(148,631)	(902,056)	(261,566)	-	(4,106)	(239,340)	(127,715)	(11,824)	-	(15,764)	(6,301)	(1,336)	(91,671)	(342,429)	(2,152,739)
Insurance services cost	**(218,248)**	**(5,561,012)**	**(783,623)**	**533**	**(126,253)**	**(534,419)**	**(2,112,159)**	**(13,760)**	**-**	**3,187**	**(6,301)**	**(1,336)**	**(193,960)**	**(2,630,436)**	**(12,177,787)**
Expenses regarding reinsurance contracts	(410,702)	(14,846)	(503,092)	(180,817)	(49,556)	(3,018,764)	(1,180,632)	(19,920)	-	(357,007)	(12,485)	(135,343)	(116,894)	-	(6,000,058)
Reinsurance commission income	36,797	1,327	(74,747)	-	(18,515)	(27,090)	305,490	(1,762)	-	12,586	2,971	7,673	3,475	-	248,205
Reinsurers’ share in current year claims	86,638	-	367,318	-	57,768	188,159	1,525,276	1,630	-	358	-	-	-	-	2,227,147
Changes regarding previous year services	3,796	(25)	472	589	(28,105)	515,745	(81)	221	-	(6,165)	-	-	(410)	-	486,037
Net expense regarding reinsurance contracts	**(283,471)**	**(13,544)**	**(210,049)**	**(180,228)**	**(38,408)**	**(2,341,950)**	**650,053**	**(19,831)**	**-**	**(350,228)**	**(9,514)**	**(127,670)**	**(113,829)**	**-**	**(3,038,669)**

AMD ths.	Accident insurance		Land vehicles (Motor) insurance	Aircraft insurance	Cargo insurance	Insurance from fire and natural forces	Property insurance from other damages	Voluntary MTPL	Aircraft (also cargo) liability insurance	General liability insurance	Guarantee provision	Financial loss insurance	Assistance (travel) insurance	Compalsory MTPL	31 December 2022
Gross insurance premium revenue	**722,505**	**4,867,809**	**1,022,953**	**91,500**	**132,048**	**2,933,691**	**587,504**	**40,991**	**76,189**	**337,105**	**-**	**362,734**	**388,447**	**3,286,427**	**14,849,903**
Current year claims	(186,673)	(3,543,225)	(416,850)	-	(119)	(24,244)	(999,423)	-	-	(82,614)	-	-	(53,152)	(2,157,864)	(7,464,164)
Subrogation income	-	-	11,102	-	-	-	-	1,000	-	-	-	-	-	151,420	163,522
Changes regarding previous year services	13,804	(158,258)	(16,806)	4,545	(155,645)	(423,071)	-	25,011	-	87,570	-	-	(4,280)	(11,824)	(638,954)
Acquisition cash flows amortization	(130,301)	(588,615)	(152,874)	(496)	(5,762)	(199,748)		(11,481)		(19,564)		(26,917)	(74,490)	(457,825)	(1,668,073)
Insurance services cost	**(303,170)**	**(4,290,098)**	**(575,428)**	**4,049**	**(161,526)**	**(647,063)**	**(999,423)**	**14,530**	**-**	**(14,608)**	**-**	**(26,917)**	**(131,922)**	**(2,476,093)**	**(9,607,669)**
Expenses regarding reinsurance contracts	(354,347)	(19,531)	(615,915)	(99,518)	(69,425)	(2,675,607)	(579,776)	(27,124)	(85,320)	(289,369)	-	(152,868)	(109,314)	-	(5,078,114)
Reinsurance commission income	24,546	2,770	128,299	155	4,626	295,199	-	5,191	192	24,138	-	8,893	6,950	-	500,959
Reinsurers’ share in current year claims	139,308	510	329,696	-	107	34,711	997,586	1,243	-	59,916	-	-	8,200	-	1,571,277
Changes regarding previous year services	(1,696)	-	14,340	(4,543)	147,649	408,061		(228)	-	(87,349)	-	-	410	-	476,644
Net expense regarding reinsurance contracts	**(192,189)**	**(16,251)**	**(143,580)**	**(103,906)**	**82,957**	**(1,937,636)**	**417,810**	**(20,918)**	**(85,128)**	**(292,664)**	**-**	**(143,975)**	**(93,754)**	**-**	**(2,529,234)**

18. Net investment income

	Драмы РА (в тысячах)	
	2023	**2022**
Financial income		
Interest income from bank deposits	254,108	165,958
Interest income from investment securities available for sale	339,425	446,750
Interest income from securities pledged under sale and repurchase agreement	122,963	124,511
Income from investment property	10,400	6,550
Income from sale of investment securities available for sale	6,096	-
Interest income from RA Government securities	51,892	-
Income from long term Government securities at amortized cost	3,646	-
Income from long term Government securities within Repo transactions at amortized cost	5,976	-
Total financial income	794,506	743,769
Financial expense		
Interest expense from Repo transactions	125,406	121,891
Interest expense from leasing	7,712	5,504
Interest expense from loans attracted from non-resident entities	1,853	1,449
Loss from sale of investment securities available for sale	-	2,230
Banking costs regarding investment activity	662	893
Total financial expense	135,633	131,967
Total investment income, net	658,873	611,802

19. Personnel expense

	AMD ths.	
	2023	**2022**
Salary and equivalent payments	760,857	819,187
Bonuses and additional payments	209,397	312,586
Leave payments	75,770	98,501
Other staff costs	10,077	15,462
Total personnel expenses	1,056,101	1,245,736

20. Other operating and administrative expenses

	Драмы РА (в тысячах)	
	2023	**2022**
Repair and maintenance (Property and equipment, intangible assets)	32,429	23,901
Other expenses on insurance	370,611	455,445
System maintenance expenses	124,198	108,265
Short term and low value assets lease expense	3,088	1,340
Advertising expense	16,308	7,190
Business travel expense	10,565	5,822
Communication expense	17,743	20,597
Dues and taxes other than income tax	68,500	57,076
Consulting and other services costs	13,919	49,995
Security costs	11,584	5,977
Representation expenses	11,639	6,798
Banking costs	31,797	34,465

Драмы РА (в тысячах)

	2023	2022
Office expenses	34,187	42,710
Membership fees	2,330	2,030
Assets provided free of charge	7,860	1,750
Other expenses	18,683	7,452
Total other operating and administrative expenses	775,441	830,813

21. Income tax expense

AMD ths.

	2023	2022
Current tax expense	130,059	126,109
Deferred tax	16,255	86,679
Total income tax expense	146,314	212,788

In the Republic of Armenia, the corporate income tax is levied at the rate of 18% (2022: 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 tax base. Deferred income tax is calculated at a tax rate of 18% (2022: 18%).

The correlation between the income tax expense / (refund) and the accounting profit / (loss) is presented below:

AMD ths.

	2023	Effective rate (%)	2022	Effective rate (%)
Profit before taxation	810,139		1,150,291	
Income tax	145,825	18	207,053	18
Non-deductible expenses	3,958	-	21,277	2.9
Currency exchange difference	(3,469)	-	(15,542)	(1.5)
Total income tax expense	146,314	18	212,788	19.4

Deferred tax calculation in respect of temporary differences:

AMD ths.

	2022 (restated)	Recognized in profit or loss	Recognized in other comprehensive income	Net balance 2023
Property and equipment	(46,094)	21,719	(9,820)	(34,195)
Deferred acquisition expense	(133,816)	15,290	-	(118,526)
Other assets	(5,942)	(2,344)	-	(8,286)
Deposits with banks	(1,756)	(1,271)	-	(3,027)
Investment securities available for sale	200,455	4,713	(89,087)	116,081
Regarding insurance contracts	(44,093)	(36,274)	-	(80,367)
Future periods income	19,973	(7,095)	-	12,878
Other liabilities	42,898	(25,430)	-	17,468
Non-financial risk adjustment (IFRS 17)	6,480	14,437	-	20,917
Deferred tax asset/(liability)	**38,105**	**(16,255)**	**(98,907)**	**(77,057)**

AMD ths

	2021	Recognized in profit or loss	Recognized in other comprehensive income	IFRS 17 and IFRS 9 related to 2022	Net balance 2022 (restated)
Property and equipment	(41,057)	8,510	(13,547)	-	**(46,094)**
Deferred acquisition expense	(61,867)	(71,949)	-	-	**(133,816)**
Other assets	(3,489)	(2,453)	-	-	**(5,942)**
Deposits with banks	(3,560)	-	-	**1,804**	**(1,756)**
Investment securities available for sale	104,652	-	95,803	-	**200,455**
Regarding insurance contracts	(32,292)	(11,801)	-	-	**(44,093)**
Future periods income	26,421	(6,448)	-	-	**19,973**
Other liabilities	45,436	(2,538)	-	-	**42,898**
Risk adjustment - IFRS 17	-	-	-	**6,480**	**6,480**
Deferred tax asset/(liability)	**34,244**	**(86,679)**	**82,256**	**8,284**	**38,105**

22. Contingent liabilities and commitments

Tax and legal matters

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

Management is convinced that the Company carries out its activities within the framework of the requirements stipulated by the legislation and has fulfilled its tax obligations, based on the tax legislation applied in Armenia, official statements and interpretations of court decisions, in connection with which it has not formed a contingent liability. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Provisions formed in connection with lawsuits filed against the Company for compensation are included in the Company's Reported but not settled claims reserve.

With respect to other lawsuits filed against the Company, Management believes that the resulting liabilities will not have a material impact on the Company's financial condition or future results of operations.
Therefore, the Company has not made appropriate provisions for legal and tax obligations.

23. Related party transactions

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

The controlling party of the Company is "Invest-Polis" JSC registered in the Russian Federation, which owns 75% of the company's shares.

A number of transactions are entered into with related parties in the normal course of business. These transactions have been carried out on commercial terms and at market rates.

The details of related party transactions are presented below:

AMD ths.

	2023		2022	
	Shareholders and related parties	**Key Management personnel**	**Shareholders and related parties**	**Key Management personnel**
Statement of financial position				
Insurance and reinsurance receivables				
-Amounts due from policy holders				
Balance as at January 1	129	739	244	728
Increase during the year	12,559	2,772	10,799	2,958
Decrease during the year	(12,803)	(2,968)	(10,914)	(2,947)
Balance as at December 31	(244)	(196)	129	739
-Amounts due from reinsurers				
Balance as at January 1	8,553	-	-	-
Increase during the year	82,352	-	151,721	-
Decrease during the year	(62,847)	-	(143,168)	-
Balance as at December 31	19,505	-	8,553	-
Prepayments and other receivables				
Balance as at January 1	12,923	-	2,561	-
Increase during the year	867	-	13,260	-
Decrease during the year	-	-	(337)	-
Balance as at December 31	13,790	-	12,923	-
Insurance and reinsurance payables				
Balance as at January 1	99,455	-	141,982	-
Increase during the year	275,479	-	497,954	-
Decrease during the year	(442,925)	-	(540,481)	-
Balance as at December 31	(67,991)	-	99,455	-
Statement of profit or loss and other comprehensive income				
Gross premiums written	51	15,756	9,581	3,897
Gross claims	-	(1,141)	-	(1,255)
Premiums written to reinsurers	(317,839)	-	(349,940)	-
Reinsurers share in gross claims	29,189	-	20,909	-
Acquisition cost	-	-	-	(9,446)
Purchase of property and equipment, net	-	-	-	(12,923)

Compensations regarding key management personnel are as follows:

AMD ths.

	2023	**2022**
Salary and bonuses	207,307	297,689
Total compensations regarding key management personnel	207,307	297,689

24. Fair value measurement

Company management determines the policies and procedures for regular pricing of fair value of unquoted available-for-sale securities.

At each reporting date, the Company management analyses the movements in the values of assets and liabilities which are subject to reassessment in accordance with the Company's accounting policy. For this analysis the major inputs applied in the latest valuation should be verified by agreeing the information in the valuation computation to contracts and other relevant documents. The Company management, in conjunction with the Company's external valuers, compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Financial assets and liabilities are presented according to their fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring their fair value.

The fair value hierarchy has the following three 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).

24.1 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.

AMD ths

	31 December 2023				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
Assets regarding reinsurance contracts	-	2,785,318	-	2,785,318	2,785,318
Deposits with banks	-	2,470,114	-	2,470,114	2,470,114
Cash and cash equivalents	-	42,341	-	42,341	42,341
Financial liabilities					
Liabilities regarding insurance contracts	-	4,287,883	-	4,287,883	4,287,883
Liabilities regarding reinsurance contracts	-	887,561	-	887,561	887,561
Repo transactions with banks	-	4,970,722	-	4,970,722	4,970,722
Other financial liabilities	-	136,815	-	136,815	136,815

AMD ths

	31 December 2022				
	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
Assets regarding reinsurance contracts	-	2,243,640	-	2,243,640	2,243,640
Deposits with banks	-	1,970,310	-	1,970,310	1,970,310
Cash and cash equivalents	-	30,853	-	30,853	30,853
Financial liabilities					
Liabilities regarding insurance contracts	-	5,212,293	-	5,212,293	5,212,293
Repo transactions with banks	-	446,335	-	446,335	446,335
Other financial liabilities	-	300,722	-	300,722	300,722

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 their fair value. This assumption is also applied to demand deposits without a specific maturity.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost is 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 the reporting date.

24.2 Financial instruments that are measured at fair value

AMD ths

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Investment securities at amortized cost	-	1,817,253	-	1,817,253
Investment securities pledged under Repo agreements	-	5,202,393	-	5,202,393
Investment securities available for sale	-	1,840,858	-	1,840,858
Total	-	8,860,504	-	8,860,504

AMD ths

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Investment securities pledged under Repo agreements	-	481,851	-	481,851
Investment securities available for sale	-	4,887,132	-	4,887,132
Total	-	5,368,983	-	5,368,983

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

24.3 Fair value measurement 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 last appraisal of the Company's head office buildings and land was performed by independent licensed appraisers on 31 December 2023 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.

25. 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 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 or not.

AMD ths.

As at 31 December 2023

	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 statemen of financial position	Related amounts that are not offset in the statement of financial position		
				Financial instruments	Cash collateral received	Net amount
Financial liabilities						
Repurchase agreements with banks	4,970,722	-	4,970,722	(5,202,393)	-	(231,671)

AMD ths.

As at 31 December 2022

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

26. Maturity Analysis of assets and liabilities

The table below shows the analysis of financial assets and liabilities according to their expected maturity.

AMD ths.

2023

	Demand and less that one 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								
Assets regarding reinsurance contracts	-	-	2,785,318	*2,785,318*	-	-	-	2,785,318
Deposits with banks	-	951,563	915,000	*1,866,563*	603,551	-	*603,551*	2,470,114
Securities pledged under Repurchase agreements	-	94,220	-	*94,220*	5,108,173	-	*5,108,173*	5,202,393
Investment securities at amortised cost	-	-	-	-	1,817,253	-	1,817,253	1,817,253
Investment securities available for sale	-	498,226	596,128	*1,094,354*	746,504	-	*746,504*	1,840,858
Cash and cash equivalents	42,341	-	-	42,341	-	-	-	42,341
	42,341	1,544,009	4,296,446	5,882,796	8,275,481	-	8,275,481	14,158,277
Liabilities								
Liabilities regarding insurance contracts	-	-	4,287,883	*4,287,883*	-	-	-	4,287,883
Liabilities regarding reinsurance contracts	-	-	887,561	*887,561*	-	-	-	887,561
Repo agreements with banks	4,970,722	-	-	*4,970,722*	-	-	-	4,970,722
Borrowings	-	-	169,720	*169,720*	-	-	-	169,720
Other liabilites	491	85,680	50,644	*136,815*	-	-	-	136,815
	4,971,213	85,680	5,395,808	*10,452,701*	-	-	-	10,452,701
Net position	**(4,928,872)**	**1,458,329**	**(1,099,362)**	**(4,569,905)**	**8,275,481**	-	**8,275,481**	**3,705,576**
Accumulated gap	**(4,928,872)**	**(3,470,543)**	**(4,569,905)**		**3,705,576**	**3,705,576**		

AMD ths.

2022

	Demand and less that one 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								
Assets regarding reinsurance contracts	-	-	2,243,640	2,243,640	-	-	-	2,243,640
Deposits with banks	-	89,307	1,421,003	1,510,310	460,000	-	460,000	1,970,310
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 and cash equivalents	30,853	-	-	30,853	-	-	-	*30,853*
	512,704	89,307	3,928,260	4,530,271	2,704,760	2,378,755	*5,083,515*	9,613,786
Liabilities								
Liabilities regarding insurance contracts	-	-	5,212,293	5,212,293		-	-	5,212,293
Repo agreements with banks	446,335	-	-	446,335	-	-	-	446,335
Borrowings	-	-	186,162	186,162	-	-	-	186,162
Other liabilites	2,446	4,987	321,749	329,182	8,238	-	8,238	337,420
	448,781	4,987	5,720,204	6,173,972	8,238	-	8,238	6,182,210
Net position	**63,923**	**84,320**	**(1,791,944)**	**(1,643,701)**	**2,696,522**	**2,378,755**	**5,075,277**	**3,431,576**
Accumulated gap	**63,923**	**148,243**	**(1,643,701)**		**1,052,821**	**3,431,576**		

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities. Compensations that are subject to notice are settled immediately upon receipt of the notice.

27. 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 credit risk, liquidity risk, and market risk.

27.1 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.

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 (MTPL). Risks under general insurance policies usually cover twelve month duration.

To reduce the risk exposure, the Company puts in place 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. 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 the underwriting and reinsurance strategies is to reduce the Company's exposure to risk based on the acceptable level of risk determined by the Company's management. The overall aim is currently to restrict the impact of a single case to approximately 10% of shareholders' equity, taking into account reinsurance. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

Claims development table

The following table shows the estimate cumulative incurred claims, including both claims notified and Incurred But Not Reported (IBNR) for each successive accident year at each balance sheet date, together with cumulative payments to date.

Gross insurance contract liabilities for 2023 have been developed as follows:

AMD ths.

	2018	2019	2020	2021	2022	2023	Total
At the end of the accident year	5,322,221	6,429,195	4,564,635	6,482,380	8,281,250	9,576,265	40,655,946
One year later	5,516,970	6,426,265	4,608,431	6,191,110	8,052,231	-	30,795,007
Two years later	5,497,711	6,560,038	4,643,771	6,212,841	-	-	22,914,361
Three years later	5,558,565	6,564,775	4,553,758	-	-	-	16,677,098
Four years later	5,516,457	6,561,630	-	-	-	-	12,078,087
Five years later	5,511,933	-	-	-	-	-	5,511,933
Current estimate of cumulative claims incurred	5,511,933	6,561,630	4,553,758	6,212,841	8,052,231	9,576,265	40,468,658
At the end of the accident year							
One year later	(4,349,556)	(5,225,919)	(3,658,297)	(5,081,416)	(6,352,792)	-	(32,616,329)
Two years later	(5,384,594)	(6,330,170)	(4,506,952)	(5,993,896)	-	-	(29,485,083)
Three years later	(5,442,851)	(6,532,185)	(4,541,955)	-	-	-	(22,599,066)
Four years later	(5,487,931)	(6,548,904)	-	-	-	-	(16,589,277)
Five years later	(5,492,504)	-	-	-	-	-	(12,051,724)
Cumulative payments as of the reporting date	(5,492,505)	(6,559,219)	(4,552,442)	(6,082,075)	(7,269,470)	(7,948,349)	(37,904,495)
Total gross insurance contract liabilities per the balance sheet	18,993	2,410	1,316	130,767	782,761	1,627,916	2,564,163

Net Insurance contract liabilities for 2023 are as follows:

Драмы РА (в тысячах)

	2018	2019	2020	2021	2022	2023	Итого
At the end of the accident year	4,798,157	6,311,029	4,255,533	5,348,104	5,929,218	6,928,758	33,570,799
One year later	5,176,836	6,333,864	4,183,357	5,295,288	5,761,423	-	26,750,768
Two years later	5,199,763	6,357,424	4,220,400	5,198,438	-	-	20,976,025
Three years later	5,211,252	6,370,614	4,123,003	-	-	-	15,704,869
Four years later	5,213,267	6,069,831	-	-	-	-	11,283,098
Five years later	5,057,892	-	-	-	-	-	5,057,892
Current estimate of cumulative claims incurred	5,057,892	6,069,831	4,123,003	5,198,438	5,761,423	6,928,758	33,139,345
At the end of the accident year	(4,098,042)	(4,931,886)	(3,435,953)	(4,453,775)	(4,976,155)	(5,917,287)	(27,813,099)
One year later	(4,982,648)	(5,953,721)	(4,084,904)	(5,169,751)	(5,758,529)	-	(25,949,553)
Two years later	(5,012,979)	(6,044,287)	(4,113,515)	(5,196,572)	-	-	(20,367,352)
Three years later	(5,042,118)	(6,057,865)	(4,121,687)	-	-	-	(15,221,670)
Four years later	(5,046,629)	(6,067,421)	-	-	-	-	(11,114,049)
Five years later	(5,047,065)	-	-	-	-	-	(5,047,065)
Cumulative payments as of the reporting date	(5,047,065)	(6,067,421)	(4,121,687)	(5,196,572)	(5,758,529)	(5,917,287)	(32,108,561)
Total gross insurance contract liabilities per the balance sheet	10,827	2,410	1,316	1,866	2,894	1,011,471	1,030,784

27.2 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 due 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.

27.2.1 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 collateral held or other credit enhancements.

27.2.2 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 2023 by classifying assets according to credit ratings of the counterparties set by international rating agencies.

AMD ths.

	Investment category	Noninvestment category	Not rated	Total
Assets regarding reinsurance contracts	671,313	-	2,114,005	2,785,318
Deposits with banks	-	951,691	1,518,423	2,470,114
Securities pledged under Repo agreements	-	5,202,393	-	5,202,393
Investment securities at amortized cost	-	1,817,253	-	1,817,253
Investment securities available for sale	-	1,840,858	-	1,840,858
Cash and cash equivalents	-	37,285	5,056	42,341
As at 31 December 2023	671,313	9,849,480	3,637,484	14,158,277
As at 31 December 2022	911,762	6,346,471	3,508,142	10,766,375

27.2.3 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.

27.2.4 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 performs impairment assessment on an individual and group basis.

Past due but not impaired financial assets

Past due financial assets include those that are only past due by a few days.
As at 31 December 2023 the Company's past due but not impaired financial assets comprise AMD 123,385 ths. (2022: 110,483 ths.).

Impaired financial assets

As at 31 December 2023 the Company's impaired financial assets comprise AMD 79,927 ths. (2022: 22,657 ths.).
No collateral is provided for past due and impaired assets.

27.3 Market risk

Market risk is the risk that the value of financial instruments will fluctuate because of changes in market variables such as interest rates and foreign exchange rates. Market risk is comprised of interest rate risk and currency risk.

27.3.1 Currency risk

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

The table below indicates the currencies to which the Company had significant exposure as at 31 December 2023 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 profit or loss and other comprehensive income (due to the fair value fluctuations of currency sensitive non trading monetary assets and liabilities) and other comprehensive income. A negative amount in the table reflects a potential net reduction in the statement of profit or loss and other comprehensive income while a positive amount reflects a net potential increase.

AMD ths.

	2023		**2022**	
Foreign currency	**Change in currency rate %**	**Effect on profit before tax**	**Change in currency rate %**	**Effect on profit before tax**
US Dollar	+5	(8,767)	+5	(643)
US Dollar	-5	8,767	-5	643

The analysis of the Company’s exposure to foreign currency exchange risk per financial assets and liabilities is as follows:

AMD ths.

				2023
	Armenian Dram	**Freely convertible currency**	**Non-convertible currencies**	**Total**
Assets				
Assets regarding reinsurance contracts	2,772,323	12,995	-	2,785,318
Deposits with banks	2,469,652	462	-	2,470,114
Securities pledged under Repo agreements	5,202,393	-	-	5,202,393
Investment securities at amortized cost	1,817,253	-	-	1,817,253
Investment securities available for sale	1,840,858	-	-	1,840,858
Cash and cash equivalents	42,341	-	-	42,341
Total assets	14,144,820	13,457	-	14,158,277
Liabilities				
Liabilities regarding insurance contracts	4,050,965	236,918	-	4,287,883
Liabilities regarding reinsurance contracts	887,561	-	-	887,561
Repo transactions with banks	4,970,722	-	-	4,970,722
Borrowings	169,720	-	-	169,720
Other liabilities	136,815	-	-	136,815
Total liabilities	10,215,783	236,918	-	10,452,701
Net position as at 31 December 2023	3,929,037	(223,461)	-	3,705,576
Total financial assets	10,665,272	101,103	-	10,766,375
Total financial liabilities	3,784,766	113,961	-	3,898,727
Net position as at 31 December 2022	6,880,506	(12,858)	-	6,867,648

Freely convertible currencies represent mainly US dollar amounts. but they also include currencies from other OECD countries. Non-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.

27.4 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 mitigate this risk, the Company involves funds in addition to its main deposit base, manages assets taking into account liquidity risk and monitors future cash flows and liquidity on a daily basis. This also includes an assessment of expected cash flows and access to highly liquid collateral that can be used to obtain additional financing if needed.

The Company maintains a highly liquid and decentralized asset portfolio that can be easily cashed out in the event of an unforeseen cash flow disruption. The liquidity position is assessed and managed under various scenarios, taking into account the stress factors related to the market in general and the Company in particular.

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.

27.5 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 insurance, 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 representative of the Company to which they relate, with summaries submitted to the Board.

28. Reconciliation of cash flows arising from financing activity

Changes in the Company's liabilities arising from financing activity can be classified as follows:

AMD ths.

31 December 2023

	Lease liabilities	**Repurchase agreements with banks**	**Borrowings**	**Total**
As at 01 January 2022	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
As at 31 December 2022	39,129	446,335	186,162	671,626
Proceeds from issue	-	41,638,146	40,138	41,678,284
Redemption	(39,129)	(37,113,759)	(56,580)	(37,209,468)
На 31 декабря 2023	-	4,970,722	169,720	5,140,442

Capital adequacy

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

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, polices and processes from the previous years.

Total capital consists of core capital, which comprises share capital, share premium, retained earnings including current year profit, and general reserve. Total capital is calculated in accordance with the requirements of the Central Bank of the Republic of Armenia.

The minimum ratio between total capital and the sum of 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, required solvency amounts and capital adequacy ratio as at 31 December 2023 and 2022, calculated in accordance with the CBA requirements, are presented below:

AMD ths.

	2023 (unaudited)	**2022 (unaudited)**
Core capital	4,992,897	5,432,925
Additional capital	(249,873)	(735,399)
Total capital	4,743,025	4,697,526
Risk-weighted assets	639,743	611,854
Required solvency	2,650,133	2,858,617
Capital adequacy norm (regulatory norm N1.2)	144%	135%

As of 31 December 2023, the Central Bank of Armenia has set for insurance companies the minimal required total capital at AMD 1,500,000 thousand.