Financial Statements and Independent Auditor's Report

EFES Insurance Closed Joint Stock Company

31 December 2023

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Independent auditor's report

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To the shareholders of EFES Insurance Closed Joint Stock Company.

Opinion

We have audited the financial statements of EFES Insurance Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as of 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period starting from 25 July 2023 until 31 December 2023, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the as of 31 December 2023 and of its financial performance and its cash flows for the period starting from 25 July 2023 until 31 December 2023 in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Armen Hovhannisyan	Lilit Baghdasaryan
Chief Executive Officer	Audit Manager

22 March, 2024

Statement of financial position

In thousand Armenian drams	Notes	31 December 2023
Assets		
Cash	6	187,665
Deposits in banks	7	1,351,801
Investments in securities	8	906,153
Reinsurance contract assets	9	4,196
Property, equipment and intangible assets	10	350,886
Deferred tax assets	21	66,871
Other assets	11	88,747
Total assets		2,956,319
Equity and liabilities		
Liabilities		
Insurance contract liabilities	9	939,338
Reinsurance contract liabilities	9	83,870
Other liabilities	12	222,950
Total liabilities		1,246,158
Equity		
Share capital	13	2,000,000
Accumulated loss		(291,677)
Other reserves		1,838
Total equity		1,710,161
Total equity and liabilities		2,956,319

The financial statements were approved on 22 March 2024 by:

Arevshat Meliksetyan
Chief Executive Officer

Knar Petrosyan
Chief Accountant

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 61.

Statement of profit or loss and other comprehensive income

In thousand Armenian drams	Notes	Period starting from 25 July 2023 until 31 December 2023
Insurance revenue	14	632,375
Insurance service expense	15	(541,705)
Insurance service result before reinsurance contracts held		90,670
Allocation of reinsurance premiums	14	(149,511)
Amounts recoverable from reinsurers	16	50,244
Net expense from reinsurance contracts held		(99,267)
Insurance service result		(8,597)
Interest income calculated using effective interest rate	17	69,729
Interest expense	17	(943)
Credit loss expense on financial assets	18	(14,174)
Net foreign exchange income		3,195
Net investment income		57,807
Other income		1,938
Depreciation and amortization	10	(8,390)
Staff costs	19	(336,810)
Other expenses	20	(64,900)
Loss before income tax		(358,952)
Income tax recovery	21	67,275
Loss for the period		(291,677)

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

In thousand Armenian drams	Notes	Period starting from 25 July 2023 until 31 December 2023
Other comprehensive income:		
Items that are or may be reclassified subsequently to profit or loss		
Movement in fair value reserve (debt instruments measured at FVTOCI)		
Net unearned gain from fair value changes		1,627
Changes in allowance for expected credit losses		615
Income tax relating to items that are or may be reclassified		(404)
Other comprehensive income for the period, net of tax		1,838
Total comprehensive income for the period		(289,839)

The statement of profit or loss and other comprehensive is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 61.

Statement of changes in equity

In thousand Armenian drams	Share capital	Revaluation reserve for investment securities	Accumulated loss	Total
Balance as of 25 July 2023	-	-	-	-
Issue of share capital	2,000,000	-	-	2,000,000
Total transactions with owners	2,000,000	-	-	2,000,000
Loss for the period	-	-	(291,677)	(291,677)
Other comprehensive income:				
Net unearned gain from fair value changes	-	1,627	-	1,627
Changes in allowance for expected credit losses	-	615	-	615
Income tax relating to components of other comprehensive income	-	(404)	-	(404)
Total comprehensive income for the period	-	1,838	(291,677)	(289,839)
Balance as of 31 December 2023	2,000,000	1,838	(291,677)	1,710,161

The statement of changes in equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 61.

Statement of cash flows

In thousand Armenian drams	Period starting from 25 July 2023 until 31 December 2023
Cash flows from operating activities	
Insurance premiums received	1,437,695
Ceded reinsurance premiums	(15,222)
Claims paid	(232,049)
Payments to employees and in their name	(257,693)
Payments to suppliers	(84,665)
Payments to intermediaries	(9,321)
Taxes paid, other than income tax	(50,378)
Other payments	(14,264)
Net cash flow from operating activities before income tax	774,103
Income tax paid	-
Net cash from operating activities	774,103
Cash flows from investing activities	
Purchases of investment securities	(886,968)
Deposits in bank	(1,310,325)
Purchase of property, equipment and intangible assets	(387,077)
Net cash used in investing activities	(2,584,370)
Cash flow from financing activities	
Proceeds from issue of share capital	2,000,000
Payment of lease liabilities	(2,577)
Net cash from financing activities	1,997,423
Net increase in cash	187,156
Cash at the beginning of the period	-
Exchange differences on cash	509
Cash at the end of the period (note 6)	187,665

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 61.

Notes to the financial statements

1 Principal activities

EFES Insurance CJSC (the “Company”) was incorporated on 25 July 2023 and operates as a closed joint stock company. The Company is regulated by the legislation of the Republic of Armenia ("RA"). The Company conducts its business under license number 0012, granted on 25.07.2023 by the Central Bank of Armenia (the “CBA”).

The Company primarily is involved in general insurance business in the territory of the Republic of Armenia. The main types of insurance contracts issued by the Company are accident, health, motor, cargo, fire and natural disasters, motor liability, financial losses, general liability and travel insurance. Moreover, the Company carries out aircraft insurance, as well as related liability insurance.

The head office of the Company is in Yerevan. The registered office is located at: 35/1 Hrachya Qochar street, Yerevan 0012, RA.

As of 31 December 2023 the number of employees of the Company was 101.

2 Business environment

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

The continuous Russian-Ukrainian war since February 2022 has had a significant impact on both the conflicting countries and on the world economy. Many leading countries and economic unions have announced severe economic sanctions against Russia, including Russian banks, insurance companies, 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.

Despite the complex challenges, the Armenian economy has shown and continues to show quite high sustainability due to the effective macroeconomic policy and adequate actions constantly implemented by the Government of Armenia and the Central Bank of Armenia. The rates of economic growth and activity remain high, also due to the large inflow of foreign citizens. There are no restrictions on the right of foreign citizens to own, establish or manage business interests in Armenia. Business registration procedures are generally simple.

On 25 August 2023, Standard & Poor's raised Armenia's credit rating to "BB-" with a stable outlook. Moody's Armenia's credit rating was last set at the "Ba3" level with a stable outlook on 22 June 2023. Fitch Ratings upgraded Armenia's issuer default rating from "B+" to "BB-" in July 2023 with a stable outlook. The rating upgrade by international rating agencies reflects the strong economic growth prospects, the stabilization of state debt at below-average levels, the outlook for sustainable fiscal performance and the improvement of the external balance.

In 2023, the government of Armenia launched universal health insurance which is expected to cover its entire population by 2027.

In April 2023, Armenia switched to a system of liberalized mandatory insurance of vehicles. This change allows the insurers to set the premiums on each of the policies individually after assessing the risks.

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

3 Basis of preparation

3.1 Statement of compliance

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

The financial statements are prepared on a going concern basis, as management is satisfied that the Company has adequate resources to continue as a going concern for the foreseeable future. In making this assessment, management has considered a wide range of information including projection of profitability, regulatory capital requirements and funding needs. The assessment also includes consideration of reasonably possible downside economic scenarios and their potential impacts on the profitability, capital and liquidity of the Company.

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

As 2023 is the first year of the Company's activity the statement of profit or loss and other comprehensive income, the statements of changes in equity and cash flows include the period starting from 25 July until 31 December 2023.

3.2 Basis of measurement

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

3.3 Functional and presentation currency

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

3.4 Standards and interpretations not yet applied by the Company

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

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

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

- *Classification of liabilities as current or non-current* (Amendments to IAS 1)
- *Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)*
- *Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)*
- *Non-current Liabilities with Covenants (Amendments to IAS 1)*
- *Lack of Exchangeability (Amendments to IAS 21)*
- *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures*

4 Summary of significant accounting policies

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

4.1 Insurance and reinsurance contracts

4.1.1 Classification

Insurance contracts are those contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance risk is significant if, and only if, an insured event could cause the issuer to pay additional amounts that are significant in any single scenario, excluding scenarios that have no commercial substance. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

4.1.2 Separating components from insurance and reinsurance contracts

The Company assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company’s products do not include any component that require separation.

4.1.3 Level of aggregation

The level of aggregation for the Company’s insurance and reinsurance products is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. No group for level of aggregation purposes may contain contracts issued more than one year apart. The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any),
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any),
- A group of the remaining contracts in the portfolio (if any)

The Company has identified the following portfolios of insurance contracts:

- Property insurance contracts,
- Cargo insurance contracts,
- Aircraft hull and aircraft liability insurance contracts,
- Motor and voluntary MTPL insurance contracts,
- Voluntary health insurance contracts,
- Accident insurance contracts,
- General liability insurance contracts,
- Assistance (Travel) insurance contracts.

An insurance contract is onerous at the date of initial recognition if the fulfilment cash flows allocated to the contract, any previously recognized insurance acquisition cash flows and any cash flows arising from the contract at the date of initial recognition in total are a net outflow. The Company groups such contracts separately from contracts that are not onerous. The Company identify the group of onerous contracts by measuring a set of contracts rather than individual contracts.

For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information,
- Similar contracts it has recognised,
- Environmental factors, e.g., a change in market experience or regulations.

The Company divides portfolios of reinsurance contracts held applying the same principles set out above, except the onerous reinsurance contracts on which there is a net gain on initial recognition.

For some groups of reinsurance contracts held, a group can comprise a single contract.

4.1.4 Recognition

The Company recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts,
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date,
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Company recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- the beginning of the coverage period of the group of reinsurance contracts held. However, the Company delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held, and
- the date the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

4.1.5 Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio and the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

4.1.6 Measurement

Insurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is generally one year or less, including insurance contract services arising from all premiums within the contract boundary, or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

Both property insurance and general liability insurance include contracts with coverage period greater than one year. However, there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA. Coverage period for remaining insurance portfolios is one year or less and so qualifies for PAA.

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition,
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and,
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 4.1.13.

Reinsurance contracts held – initial measurement

The Company measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Obligatory reinsurance contracts held of the Company include reinsurance portfolios with a coverage period of more than one year. There is no significant difference between the amounts of the remaining coverage liability measured by the PAA and the general model.

The remaining reinsurance portfolios of the Company have a coverage period of one year or less and therefore the premium allocation approach is used.

Where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Company expects to recover from the group of reinsurance contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held.

The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

Insurance contracts – subsequent measurement

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period,
- Minus insurance acquisition cash flows, with the exception of insurance product line for which the Company chooses to expense insurance acquisition cash flows as they occur,
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group,
- Plus any adjustment to the financing component, where applicable,
- Minus the amount recognised as insurance revenue for the services provided in the period,
- Minus any investment component paid or transferred to the liability for incurred claims.

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised. For additional disclosures on the loss component, please refer to Note 4.1.13.

Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss.

Reinsurance contracts held - subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Where the Company has established a loss-recovery component, the Company subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

4.1.7 Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs.

The Company uses a systematic and rational method to allocate:

- Insurance acquisition cash flows that are directly attributable to a group of insurance contracts,
- Insurance acquisition cash flows directly attributable to a portfolio of insurance contracts that are not directly attributable to a group of contracts, to groups in the portfolio.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

The asset for insurance acquisition cash flow is derecognised from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

At the end of each reporting period, the Company revises amounts of insurance acquisition cash flows allocated to groups of insurance contracts not yet recognised, to reflect changes in assumptions related to the method of allocation used.

After any re-allocation, the Company assesses the recoverability of the asset for insurance acquisition cash flows, if facts and circumstances indicate the asset may be impaired. When assessing the recoverability, the Company applies:

- An impairment test at the level of an existing or future group of insurance contracts; and
- An additional impairment test specifically covering the insurance acquisition cash flows allocated to expected future contract renewals.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The Company recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

4.1.8 Modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired), or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

4.1.9 Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts are allocated to the carrying amount of the portfolios of insurance contracts that they relate to.

The Company disaggregates the total amount from insurance activity recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

4.1.10 Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

4.1.11 Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They comprise the following items:

- Incurred claims and other insurance service expenses,
- Amortisation of insurance acquisition cash flows: the Company amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts,
- Losses on onerous contracts and reversal of such losses, refer to the Note 4.1.13
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein,
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

4.1.12 Expense from reinsurance contracts held

The expenses from reinsurance contracts held comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers. The Company recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts.

The allocation of reinsurance premiums paid for each period are the amounts of expected premium payments for receiving services in the period.

For a group of reinsurance contracts covering onerous underlying contracts, the Company establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised, refer to the Note 4.1.14.

4.1.13 Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances mentioned in Note 4.1.3 indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined in Note 4.1.6. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

4.1.14 Loss-recovery components

As described in Note 4.1.3 above, where the Company recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.

A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

4.1.15 Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

For all other business, the Company does not disaggregate finance income and expenses between profit or loss and other comprehensive income, but fully presents in profit or loss.

4.2 Financial instruments

4.2.1 Recognition and initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVPL, transaction costs are added to this amount.

4.2.2 Classification

Financial assets

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

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

The Company classifies its financial assets as measured at amortised cost and FVOCI.

Business model assessment

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

- 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 Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

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

As a second step of its classification process the Company assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Company applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Financial liabilities

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

4.2.3 Subsequent measurement

After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the statement of profit or loss when the investments are impaired.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

Financial assets at FVPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVPL is recorded using contractual interest rate.

4.2.4 Reclassification

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

4.2.5 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.

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all of the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Financial liabilities

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

4.2.6 Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (refer to note 4.2.5) and a new financial asset is recognised at fair value plus any eligible transaction costs.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, The Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

Financial liabilities

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

4.2.7 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.

4.2.8 Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the appropriate effective interest rate.

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

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

The Company's debt instruments comprise government bonds that are considered to be low credit risk investments. It is the Company's policy to measure such instruments on a 12-month ECL (12mECL) basis. Where the credit risk of any bond deteriorates, the Company will sell the bond and purchase bonds meeting the required investment grade.

The Company considers a financial asset to be in default (credit impaired) when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

Measurement of ECL

The Company calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the entity expects to receive.

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

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

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

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

The Company groups its financial assets into Stage 1, Stage 2 and Stage 3, as described below:

- Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate EIR. This calculation is made for each of the three scenarios, as explained above. Stage 1 also include facilities where the credit risk has improved and the financial asset has been reclassified from Stage 2.
- Stage 2: When an instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR. Stage 2 also include facilities, where the credit risk has improved and the financial asset has been reclassified from Stage 3.
- Stage 3: For debt instruments considered credit-impaired, the Company recognises the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

Forward looking information

In its ECL models, the Company relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Central Bank base rates

4.2.9 Write-offs

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

4.3 Recognition of investment income and expenses

Investment income and expenses are other than those related to insurance contracts and includes interest income on debt investments at FVOCI, interest income on investments at amortised cost, net gain/(loss) on derecognition of investment securities, interest expense on lease liabilities.

The effective interest rate method

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

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

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

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

Amortised cost and gross carrying amount

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

Calculation of interest income and expense

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

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

Gain/(loss) on sale of investment

A gain or loss on the sale of an investments is calculated as the difference between the net sale and the fair or amortized cost and is recognized at the time of sale.

4.4 Foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Company at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Groups of insurance and reinsurance contracts that generate cash flows in a foreign currency are treated as monetary items.

Non-monetary items recalculated at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are recalculated using the exchange rates as the dates of the initial transactions.

Foreign currency differences arising on translation are generally recognised in profit or loss in the line of net foreign exchange income/(expense).

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

	31 December 2023
AMD/1 US Dollar	404.79
AMD/1 EUR	447.90

4.5 Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. In the case when financial statements are authorized for issue before appropriate tax returns are submitted, taxable profits or losses are based on estimates. Tax authorities might have more stringent position in interpreting tax legislation and in reviewing tax calculations. As a result tax authorities might claim additional taxes for those transactions, for which they did not claim previously. As a result significant additional taxes, fines and penalties could arise. Tax review can include 3 calendar years immediately preceding the year of a review. In certain circumstances tax review can include longer periods.

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

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

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

4.6 Cash

Cash comprise banks accounts. Cash are carried at amortised cost.

4.7 Deposits in banks

In the normal course of business, the Company maintains deposit accounts in banks. Deposits in banks with more than 90 days of fixed maturity term are subsequently measured at amortized cost using the effective interest method. Deposits in banks are carried net of any allowance for impairment losses.

4.8 Investments in securities

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

- debt investment securities measured at amortised cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method;
- debt securities measured at FVOCI.

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

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

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

4.9 Property and equipment

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

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

	Useful life (years)	Rate (%)
Computers and communication	2-5	20-50
Vehicles	4-5	20-25
Other fixed assets	Not more than 40	Not less than 2.5

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

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

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

4.10 Intangible assets

Intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives of 1 to 10 and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

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

4.11 Impairment of non-financial assets

Other non-financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their air value less costs to sell and value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non-financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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 three key evaluations which are whether:

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

Measurement and recognition of leases

Company as a lessee

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

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

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

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

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

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

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

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

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

Company as a lessor

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

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

Lease payments received under operating leases are recognized as other investment income on a straight-line basis over the lease term.

4.13 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.

4.14 Equity

Share capital

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

Accumulated loss

Accumulated loss includes accumulated loss of current period.

Dividends

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

Revaluation reserve for available-for-sale investment securities

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

5 Critical accounting estimates and judgements

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

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

5.1 Judgements

Level of aggregation of insurance contracts

The Company identifies portfolios of contracts and determines groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently.

Measurement of insurance and reinsurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts. When measuring liabilities for incurred claims, the Company discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Classification of financial assets

The Company assesses the business model within which the assets are held and also assesses whether the contractual terms of the financial asset are solely payments of principal and interest on the outstanding principal amount (refer to note 4.2.2).

Establish criteria for calculating ECL

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

5.2 Assumptions and estimations uncertainty

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), 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. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

Discount rates

The Company calculates insurance contract liabilities by discounting expected future cash flows at a risk free rate. Risk free rates are determined by reference to the yields of highly liquid sovereign securities in the currency of the insurance contract liabilities.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment with a confidence level set at 95%. This estimation involves assessing the probability distribution of future cash flows and determining the additional amount necessary above the expected present value of these cash flows to meet the target level of confidence. Moreover, the Company incorporates the cost of capital into its evaluation of risk adjustment.

Measurement of fair values

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (refer to note 24).

Useful Life of property and equipment

Useful life evaluation of property and equipment is the result of judgement, based on the experience with similar assets. Future economic benefits are embodied in assets and mainly consumed along with usage. Management evaluates the remaining useful life according to the asset's current technical condition and estimated period, during which the Company expects to receive benefits. For the evaluation of remaining useful life are considered the following main factors: expectable usage of assets, depending on the operational factors and maintenance program, that is depreciation arising from the changes in the market conditions.

Impairment of financial instruments

The Company assess of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL (refer to note 27.2), as well as the key assumptions used in estimating recoverable cash flows (refer to note 4.2.8).

Tax legislation

Armenian tax legislation is subject to varying interpretations. refer to note 22.

6 Cash

In thousand Armenian drams	**31 December 2023**
Bank accounts	187,665
Total cash	187,665

As of 31 December 2023 bank accounts in amounts of AMD 146,873 thousand (78%) were due from two commercial banks.

The ECLs relating to Cash and cash equivalents here rounds to zero and therefore, have not been disclosed here.

7 Deposit in banks

In thousand Armenian drams	31 December 2023
Deposits in banks	1,361,899
Credit loss allowance	(10,098)
Total deposits in banks	1,351,801

As of 31 December 2023 deposits in banks in amount of AMD 951,801 thousand (70%) were due from three banks.

All deposits in banks have more than 90 days of maturity.

An analysis of changes in the ECLs on amount due from financial institutions as follows:

In thousand Armenian drams	2023
	Stage 1
ECL allowance as of 25 July	-
Net remeasurement of credit loss allowance	10,098
Balance as of 31 December	10,098

8 Investments in securities

Investment securities measured at amortised cost

In thousand Armenian drams	31 December 2023
Investment securities measured at amortised cost	
RA state bonds	609,663
Credit loss allowance	(3,461)
Total investment securities at amortised cost	606,202

An analysis of changes in the ECLs on investment securities measured at amortised cost as follows:

In thousand Armenian drams	2023
	Stage 1
ECL allowance as of 25 July	-
Net remeasurement of credit loss allowance	3,461
Balance as of 31 December	3,461

Investment securities measured at FVOCI

In thousand Armenian drams	31 December 2023
Investment securities measured at FVOCI	
RA state bonds	299,951
Total investment securities measured at FVOCI	299,951

An analysis of changes in the ECLs on debt investment securities measured at FVOCI as follow:

In thousand Armenian drams	2023
	Stage 1
ECL allowance as of 25 July	-
Net remeasurement of credit loss allowance	615
Balance as of 31 December	615

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

All debt securities have fixed coupons.

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

In thousand Armenian drams	31 December 2023	
	%	Maturity
RA state bonds	9-12.5	2029-2047

9 Insurance and reinsurance contract assets and liabilities

The breakdown of portfolios of insurance contracts issued and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

In thousand Armenian drams	2023	
	Net	
	Assets	Liabilities
Insurance contracts issued		
Voluntary health insurance	-	378,575
Cargo insurance	-	8,003
Property insurance	-	124,204
Accident insurance	-	26,087
General liability insurance	-	96,004
Assistance (Travel) insurance	-	20,196
Motor and voluntary MTPL insurance	-	249,133
Aircraft hull and aircraft liability insurance	-	37,136
Total insurance contracts issued	-	939,338
Reinsurance contracts held		
Cargo insurance	-	28,025
Property insurance	-	10,562
Accident insurance	-	15,932
General liability insurance	-	7,224
Assistance (Travel) insurance	(4,196)	-
Motor and voluntary MTPL insurance	-	20,925
Aircraft hull and aircraft liability insurance	-	1,202
Total reinsurance contracts held	(4,196)	83,870

Mutual settlements with reinsurance partners are made by the Company after the end of the year, before the end of the first quarter and due to the short-term nature of the Company's activities, the reinsurance contracts held are generally in a liability position.

The Company disaggregates information to provide disclosure in respect of major product lines separately. This disaggregation has been determined based on how the Company is managed.

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

Voluntary health insurance

In thousand Armenian drams					2023
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net insurance contract liabilities as of 25 July	-	-	-	-	-
Insurance revenue	(356,773)	-	-	-	(356,773)
Insurance service expenses	20,916	1,004	333,658	(12,357)	343,221
Incurred claims and other expenses	-	-	*211,049*	-	*211,049*
Amortisation of insurance acquisition cash flows	*20,916*	-	-	-	*20,916*
Losses on onerous contracts	-	*1,004*	-	-	*1,004*
Changes to liabilities for incurred claims	-	-	*122,609*	*(12,357)*	*110,252*
Total changes in the statement of comprehensive income	(335,857)	1,004	333,658	(12,357)	(13,552)
Cash flows					
Premiums received	623,554	-	-	-	623,554
Claims and other expenses paid	-	-	(210,348)	-	(210,348)
Insurance acquisition cash flows	(21,079)	-	-	-	(21,079)
Total cash flows	602,475	-	(210,348)	-	392,127
Derecognition ig insurance contracts	-	-	-	-	-
Net insurance contract liabilities as of 31 December	266,618	1,004	123,310	(12,357)	378,575

Cargo insurance

In thousand Armenian drams					2023
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net insurance contract liabilities as of 25 July	-	-	-	-	-
Insurance revenue	(41,452)	-	-	-	(41,452)
Insurance service expenses	444	-	4,258	-	4,702
Incurred claims and other expenses	-	-	*2,438*	-	*2,438*
Amortisation of insurance acquisition cash flows	*444*	-	-	-	*444*
Losses on onerous contracts	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	*1,820*	-	*1,820*
Total changes in the statement of comprehensive income	(41,008)	-	4,258	-	(36,750)
Cash flows					
Premiums received	47,634	-	-	-	47,634
Claims and other expenses paid	-	-	(2,438)	-	(2,438)
Insurance acquisition cash flows	(443)	-	-	-	(443)
Total cash flows	47,191	-	(2,438)	-	44,753
Derecognition ig insurance contracts	-	-	-	-	-
Net insurance contract liabilities as of 31 December	6,183	-	1,820	-	8,003

Property insurance

In thousand Armenian drams					2023
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net insurance contract liabilities as of 25 July	-	-	-	-	-
Insurance revenue	(59,106)	-	-	-	(59,106)
Insurance service expenses	15,413	-	19,497	(2,446)	32,464
Incurred claims and other expenses	-	-	*23*	-	*23*
Amortisation of insurance acquisition cash flows	*15,413*	-	-	-	*15,413*
Losses on onerous contracts	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	*19,474*	*(2,446)*	*17,028*
Total changes in the statement of comprehensive income	(43,693)	-	19,497	(2,446)	(26,642)
Cash flows					
Premiums received	172,627	-	-	-	172,627
Claims and other expenses paid	-	-	(23)	-	(23)
Insurance acquisition cash flows	(21,935)	-	-	-	(21,935)
Total cash flows	150,692	-	(23)	-	150,669
Derecognition ig insurance contracts	177	-	-	-	177
Net insurance contract liabilities as of 31 December	107,176	-	19,474	(2,446)	124,204

Accident insurance

In thousand Armenian drams	Liabilities for remaining coverage		Liabilities for incurred claims		2023
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**	**Total**
Net insurance contract liabilities as of 25 July	-	-	-	-	-
Insurance revenue	(33,933)	-	-	-	(33,933)
Insurance service expenses	4,080	88	2,904	(1,768)	5,304
Incurred claims and other expenses	-	-	*426*	-	*426*
Amortisation of insurance acquisition cash flows	*4,080*	-	-	-	*4,080*
Losses on onerous contracts	-	*88*	-	-	*88*
Changes to liabilities for incurred claims	-	-	*2,478*	*(1,768)*	*710*
Total changes in the statement of comprehensive income	(29,853)	88	2,904	(1,768)	(28,629)
Cash flows					
Premiums received	61,198	-	-	-	61,198
Claims and other expenses paid	-	-	(426)	-	(426)
Insurance acquisition cash flows	(6,056)	-	-	-	(6,056)
Total cash flows	55,142	-	(426)	-	54,716
Derecognition ig insurance contracts	-	-	-	-	-
Net insurance contract liabilities as of 31 December	25,289	88	2,478	(1,768)	26,087

General liability insurance

In thousand Armenian drams	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net insurance contract liabilities as of 25 July	-	-	-	-	-
Insurance revenue	(28,349)	-	-	-	(28,349)
Insurance service expenses	1,580	44	11,634	(1,046)	12,212
Incurred claims and other expenses	-	-	-	-	-
Amortisation of insurance acquisition cash flows	*1,580*	-	-	-	*1,580*
Losses on onerous contracts	-	*44*	-	-	*44*
Changes to liabilities for incurred claims	-	-	*11,634*	*(1,046)*	*10,588*
Total changes in the statement of comprehensive income	(26,769)	44	11,634	(1,046)	(16,137)
Cash flows					
Premiums received	112,304	-	-	-	112,304
Claims and other expenses paid	-	-	-	-	-
Insurance acquisition cash flows	(1,686)	-	-	-	(1,686)
Total cash flows	110,618	-	-	-	110,618
Derecognition of insurance contracts	1,523	-	-	-	1,523
Net insurance contract liabilities as of 31 December	85,372	44	11,634	(1,046)	96,004

Assistance (Travel) insurance

In thousand Armenian drams	Liabilities for remaining coverage		Liabilities for incurred claims		2023
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net insurance contract liabilities as of 25 July	-	-	-	-	-
Insurance revenue	(22,495)	-	-	-	(22,495)
Insurance service expenses	18,091	421	11,173	(712)	28,973
Incurred claims and other expenses	-	-	*2,283*	-	*2,283*
Amortisation of insurance acquisition cash flows	*18,091*	-	-	-	*18,091*
Losses on onerous contracts	-	*421*	-	-	*421*
Changes to liabilities for incurred claims	-	-	*8,890*	*(712)*	*8,178*
Total changes in the statement of comprehensive income	(4,404)	421	11,173	(712)	6,478
Cash flows					
Premiums received	37,175	-	-	-	37,175
Claims and other expenses paid	-	-	(2,283)	-	(2,283)
Insurance acquisition cash flows	(23,411)	-	-	-	(23,411)
Total cash flows	13,764	-	(2,283)	-	11,481
Derecognition of insurance contracts	2,237	-	-	-	2,237
Net insurance contract liabilities as of 31 December	11,597	421	8,890	(712)	20,196

Motor and voluntary MTPL insurance

In thousand Armenian drams	Liabilities for remaining coverage		Liabilities for incurred claims		2023
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net insurance contract liabilities as of 25 July	-	-	-	-	-
Insurance revenue	(79,729)	-	-	-	(79,729)
Insurance service expenses	57,265	5,648	55,402	(4,268)	114,047
Incurred claims and other expenses	-	-	*16,498*	-	*16,498*
Amortisation of insurance acquisition cash flows	*57,265*	-	-	-	*57,265*
Losses on onerous contracts	-	*5,648*	-	-	*5,648*
Changes to liabilities for incurred claims	-	-	*38,904*	*(4,268)*	*34,636*
Total changes in the statement of comprehensive income	(22,464)	5,648	55,402	(4,268)	34,318
Cash flows					
Premiums received	306,548	-	-	-	306,548
Claims and other expenses paid	-	-	(16,498)	-	(16,498)
Insurance acquisition cash flows	(75,293)	-	-	-	(75,293)
Total cash flows	231,255	-	(16,498)	-	214,757
Derecognition ig insurance contracts	58	-	-	-	58
Net insurance contract liabilities as of 31 December	208,849	5,648	38,904	(4,268)	249,133

Aircraft hull and aircraft liability insurance

In thousand Armenian drams	Liabilities for remaining coverage		Liabilities for incurred claims		2023
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**	**Total**
Net insurance contract liabilities as of 25 July	-	-	-	-	-
Insurance revenue	(10,538)	-	-	-	(10,538)
Insurance service expenses	782	-	-	-	782
Incurred claims and other expenses	-	-	-	-	-
Amortisation of insurance acquisition cash flows	*782*	-	-	-	*782*
Losses on onerous contracts	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	-	-	-
Total changes in the statement of comprehensive income	(9,756)	-	-	-	(9,756)
Cash flows					
Premiums received	47,674	-	-	-	47,674
Claims and other expenses paid	-	-	-	-	-
Insurance acquisition cash flows	(782)	-	-	-	(782)
Total cash flows	46,892	-	-	-	46,892
Derecognition of insurance contracts	-	-	-	-	-
Net insurance contract liabilities as of 31 December	37,136	-	-	-	37,136

The roll-forward of the net asset or liability for reinsurance contracts held, showing the liability for remaining coverage and the liability for incurred claims for reinsurance portfolio, is disclosed in the table below:

Cargo insurance

In thousand Armenian drams	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net reinsurance contract liabilities as of 25 July	-	-	-	-	-
Allocation of reinsurance premiums	(19,216)	-	-	-	(19,216)
Amounts recovered from reinsurer/(allocated to reinsurer)	(12,114)	-	3,853	-	(8,261)
Incurred claims and other expenses on amounts recovered	-	-	*2,173*	-	*2,173*
Amortisation of net commissions on reinsurance	*(12,114)*	-	-	-	*(12,114)*
Changes to liabilities for incurred claims	-	-	*1,680*	-	*1,680*
Total changes in the statement of comprehensive income	(31,330)	-	3,853	-	(27,477)
Cash flows					
Reinsurance premiums paid and commissions	1,625	-	-	-	1,625
Claims and other expenses paid	-	-	(2,173)	-	(2,173)
Total cash flows	1,625	-	(2,173)	-	(548)
Net reinsurance contract liabilities as of 31 December	(29,705)	-	1,680	-	(28,025)

Property insurance

In thousand Armenian drams	2023				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**	**Total**
Net reinsurance contract liabilities as of 25 July	-	-	-	-	-
Allocation of reinsurance premiums	(33,734)	-	-	-	(33,734)
Amounts recovered from reinsurer/(allocated to reinsurer)	(1,585)	-	17,403	(2,182)	13,636
Incurred claims and other expenses on amounts recovered	*(1,541)*	-	-	-	*(1,541)*
Amortisation of net commissions on reinsurance	-	-	*17,403*	*(2,182)*	*15,221*
Changes to liabilities for incurred claims	*(44)*	-	-	-	*(44)*
Total changes in the statement of comprehensive income	(35,319)	-	17,403	(2,182)	(20,098)
Cash flows					
Reinsurance premiums paid and commissions	9,536	-	-	-	9,536
Total cash flows	9,536	-	-	-	9,536
Net reinsurance contract liabilities as of 31 December	(25,783)	-	17,403	(2,182)	(10,562)

Accident insurance

In thousand Armenian drams	2023				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**	**Total**
Net reinsurance contract liabilities as of 25 July	-	-	-	-	-
Allocation of reinsurance premiums	(19,925)	-	-	-	(19,925)
Amounts recovered from reinsurer/(allocated to reinsurer)	3,319	-	2,171	(1,497)	3,993
Amortisation of net commissions on reinsurance	*3,319*	-	-	-	*3,319*
Changes to liabilities for incurred claims	-	-	*2,171*	*(1,497)*	*674*
Total changes in the statement of comprehensive income	(16,606)	-	2,171	(1,497)	(15,932)
Cash flows					
Total cash flows	-	-	-	-	-
Net reinsurance contract liabilities as of 31 December	(16,606)	-	2,171	(1,497)	(15,932)

General liability insurance

In thousand Armenian drams	2023				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**	**Total**
Net reinsurance contract liabilities as of 25 July	-	-	-	-	-
Allocation of reinsurance premiums	(21,418)	-	-	-	(21,418)
Amounts recovered from reinsurer/(allocated to reinsurer)	653	-	11,535	(1,034)	11,154
Amortisation of net commissions on reinsurance	*722*	-	-	-	*722*
Changes to liabilities for incurred claims	-	-	*11,535*	*(1,034)*	*10,501*
Effect of exchange rate difference	*(69)*	-	-	-	*(69)*
Total changes in the statement of comprehensive income	(20,765)	-	11,535	(1,034)	(10,264)
Cash flows					
Reinsurance premiums paid and commissions	3,040	-	-	-	3,040
Total cash flows	3,040	-	-	-	3,040
Net reinsurance contract liabilities as of 31 December	(17,725)	-	11,535	(1,034)	(7,224)

Assistance (Travel) insurance

In thousand Armenian drams	2023				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**	**Total**
Net reinsurance contract liabilities as of 25 July	-	-	-	-	-
Allocation of reinsurance premiums	(453)	-	-	-	(453)
Amounts recovered from reinsurer/(allocated to reinsurer)	(43)	-	5,092	(400)	4,649
Changes to liabilities for incurred claims	-	-	*5,092*	*(400)*	*4,692*
Effect of exchange rate difference	*(43)*	-	-	-	*(43)*
Total changes in the statement of comprehensive income	(496)	-	5,092	(400)	4,196
Cash flows					
Total cash flows	-	-	-	-	-
Net reinsurance contract liabilities as of 31 December	(496)	-	5,092	(400)	4,196

Motor and voluntary MTPL insurance

In thousand Armenian drams	2023				
	Liabilities for remaining coverage		**Liabilities for incurred claims**		
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flow**	**Risk adjustment**	**Total**
Net reinsurance contract liabilities as of 25 July	-	-	-	-	-
Allocation of reinsurance premiums	(45,685)	-	-	-	(45,685)
Amounts recovered from reinsurer/(allocated to reinsurer)	(15,576)	-	43,728	(3,393)	24,759
Incurred claims and other expenses on amounts recovered	-	-	*12,144*	-	*12,144*
Amortisation of net commissions on reinsurance	*(15,576)*	-	-	-	*(15,576)*
Changes to liabilities for incurred claims	-	-	*31,584*	*(3,393)*	*28,191*
Total changes in the statement of comprehensive income	(61,261)	-	43,728	(3,393)	(20,926)
Cash flows					
Reinsurance premiums paid and commissions	12,145	-	-	-	12,145
Claims and other expenses paid	-	-	(12,144)	-	(12,144)
Total cash flows	12,145	-	(12,144)	-	1
Net reinsurance contract liabilities as of 31 December	(49,116)	-	31,584	(3,393)	(20,925)

Aircraft hull and aircraft liability insurance

In thousand Armenian drams	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flow	Risk adjustment	Total
Net reinsurance contract liabilities as of 25 July	-	-	-	-	-
Allocation of reinsurance premiums	(9,080)	-	-	-	(9,080)
Amounts recovered from reinsurer/(allocated to reinsurer)	(233)	-	-	-	(233)
Amortisation of net commissions on reinsurance	*158*	-	-	-	*158*
Effect of exchange rate difference	*(391)*	-	-	-	*(391)*
Total changes in the statement of comprehensive income	(9,313)	-	-	-	(9,313)
Cash flows					
Reinsurance premiums paid and commissions	8,111	-	-	-	8,111
Total cash flows	8,111	-	-	-	8,111
Net reinsurance contract liabilities as of 31 December	(1,202)	-	-	-	(1,202)

10 Property, equipment and intangible assets

In thousand Armenian drams

	Fixtures and fittings	Equipment	Vehicles	Leasehold improvement	Intangible assets	Right-of-use assets	Total
Cost							
As of 25 July 2023	-	-	-	-	-	-	-
Additions	19,354	153,654	45,317	73,640	13,653	53,658	359,276
As of 31 December 2023	19,354	153,654	45,317	73,640	13,653	53,658	359,276
Accumulated depreciation							
As of 25 July 2023	-	-	-	-	-	-	-
Expenses for the period	276	1,864	2,044	-	674	3,532	8,390
As of 31 December 2022	276	1,864	2,044	-	674	3,532	8,390
Carrying amount							
As of 31 December 2023	19,078	151,790	43,273	73,640	12,979	50,126	350,886

Right-of-use assets

The Company has leases for two office premises. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Lease liabilities are presented in the statement of financial position in the line of other liabilities (refer to note 12):

Assets not available for use

As of 31 December 2023 the cost of assets not available for use, included in the list of fixed assets, amounts to AMD 116,213 thousand.

Restrictions on title of fixed assets

As of 31 December 2023, the Company does not possess any fixed assets pledged as security for liabilities or whose title is otherwise restricted.

11 Other assets

In thousand Armenian drams	**31 December 2023**
Debtors and other receivables	4,253
Total other financial assets	4,253
Prepayments	82,723
Other	1,771
Total non-financial assets	84,494
Total other assets	88,747

Expected credit losses on other financial assets are close to zero and therefore are not disclosed in this table.

12 Other liabilities

In thousand Armenian drams	31 December 2023
Payables	33,469
Lease liabilities	50,030
Due to personnel	70,799
Total other financial liabilities	154,298
Tax payable, other than income tax	29,610
Prepayments received	39,042
Total other non-financial liabilities	68,652
Total other liabilities	222,950

Lease liabilities

The Company has leases for two office premises. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Right-of-use assets are presented in the statement of financial position in the line of property and equipment (refer to note 10):

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

In thousand Armenian drams	31 December 2023
As of 25 July	-
Additions	51,664
Accretion of interest	943
Payments	(2,577)
Total lease liabilities as of 31 December	50,030

In 2023 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 is 12.1%.

The undiscounted maturity analysis of lease liabilities as of 31 December 2023 is reflected in the note 26.

13 Share Capital

As of 31 December 2023 the Company’s registered and paid-in share capital was AMD 2,000,000 thousand. In accordance with the Company’s statues, the share capital consists of 2,000,000 ordinary shares, all of which have a par value of AMD 1,000 each.

As of 31 December 2023 the ultimate shareholder of the Company is "Inteligent Management" LLC.

As of 31 December 2023, the Company did not possess any of its own shares.

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

Distributable among shareholders reserves equal the amount of retained earnings, determined according to the Armenian legislation.

14 Insurance revenue

In thousand Armenian drams	Period starting from 25 July 2023 until 31 December 2023		
	Insurance revenue	Allocation of reinsurance premiums	Net insurance revenue
Health insurance	356,773	-	356,773
Cargo insurance	41,452	(19,216)	22,236
Property insurance	59,106	(33,734)	25,372
Accident insurance	33,933	(19,925)	14,008
General liability insurance	28,349	(21,418)	6,931
Assistance (Travel) insurance	22,495	(453)	22,042
Motor and voluntary MTPL insurance	79,729	(45,685)	34,044
Aircraft hull and aircraft liability insurance	10,538	(9,080)	1,458
Total	632,375	(149,511)	482,864

15 Insurance service expense

In thousand Armenian drams	Period starting from 25 July 2023 until 31 December 2023				
	Incurred claims and other expenses	Amortisation of insurance acquisition cash flows	Losses on onerous contracts and reversals of those losses	Changes to liabilities for incurred claims	Insurance service expense
Health insurance	211,049	20,916	1,004	110,252	343,221
Cargo insurance	2,438	444	-	1,820	4,702
Property insurance	23	15,413	-	17,028	32,464
Accident insurance	426	4,080	88	710	5,304
General liability insurance	-	1,580	44	10,588	12,212
Assistance (Travel) insurance	2,283	18,091	421	8,178	28,973
Motor and voluntary MTPL insurance	16,498	57,265	5,648	34,636	114,047
Aircraft hull and aircraft liability insurance	-	782	-	-	782
Total insurance service expense	232,717	118,571	7,205	183,212	541,705

16 Amounts recovered from reinsurer

In thousand Armenian drams	Period starting from 25 July 2023 until 31 December 2023			
	Reinsurers' share in incurred claims and other expenses	Amortisation of reinsurance acquisition cash flows	Reinsurers' share in changes to liabilities for incurred claims	Amounts recovered from reinsurer/ (allocated to reinsurer)
Cargo insurance	2,173	(12,114)	1,680	(8,261)
Property insurance	-	(1,541)	15,221	13,680
Accident insurance	-	3,319	674	3,993
General liability insurance	-	722	10,501	11,223
Assistance (Travel) insurance	-	-	4,692	4,692
Motor and voluntary MTPL insurance	12,144	(15,576)	28,191	24,759
Aircraft hull and aircraft liability insurance	-	158	-	158
Total amounts recovered from reinsurer	14,317	(25,032)	60,959	50,244

17 Interest income and expense

In thousand Armenian drams	Period starting from 25 July 2023 until 31 December 2023
Interest income calculated using effective interest rate	
Interest income from deposits in banks	51,048
Interest income from investment securities	18,681
Total interest income	69,729

Interest expense on lease	943
Total interest expense	943

18 Credit loss expense of financial assets

In thousand Armenian drams	Period starting from 25 July 2023 until 31 December 2023		
	Note	Stage 1	Total
Deposits in banks	7	10,098	10,098
Investments in securities	8	4,076	4,076
Total impairment losses/reversal		14,174	14,174

19 Staff costs

In thousand Armenian drams	Period starting from 25 July 2023 until 31 December 2023
Salaries and similar payments	146,943
Bonuses and additional payments	164,395
Vacation payments	18,655
Other staff costs	6,817
Total staff costs	336,810

As of 31 December 2023 salary of AMD 109,064 thousand paid to employees of the Company's sales and contracting department is included in insurance service expenses (refer to note 15).

20 Other expenses

In thousand Armenian drams	Period starting from 25 July 2023 until 31 December 2023
Fixed assets maintenance	7,945
Advertising costs	5,480
Business trip expenses	2,010
Communications	1,774
Taxes, other than income tax, duties	4,470
Consulting and other services	18,008
Representative expenses	6,377
Office supplies	6,835
Banking services	383
Membership fees	1,060
Charity	2,000
Expenses of short term and low value assets leases	6,664
Other expenses	1,894
Total other expenses	64,900

21 Income tax recovery

In thousand Armenian drams	Period starting from 25 July 2023 until 31 December 2023
Deferred tax	(67,275)
Total income tax recovery	(67,275)

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

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

In thousand Armenian drams	Period starting from 25 July 2023 until 31 December 2023	Effective rate (%)
Loss before tax	(358,952)	
Income tax	(64,611)	18
Non-deductible expenses	(2,046)	1
Foreign exchange rate defference	(618)	-
Income tax recovery	(67,275)	19

Deferred tax calculation in respect of temporary differences:

In thousand Armenian drams	25 July 2023	Recognized in profit or loss	Recognized in other comprehensive income	31 December 2023 Net	31 December 2023 Deferred tax asset	31 December 2023 Deferred tax liability
Cash	-	(338)	-	(338)	-	(338)
Deposits in banks	-	(634)	-	(634)	-	(634)
Investments in securities	-	734	(404)	330	330	-
Insurance contract assets	-	(4,462)	-	(4,462)	-	(4,462)
Reinsurance contract assets	-	(9,461)	-	(9,461)	-	(9,461)
Property and equipment	-	(9,023)	-	(9,023)	-	(9,023)
Other assets	-	(152)	-	(152)	-	(152)
Insurance contract liabilities	-	11,452	-	11,452	11,452	-
Other liabilities	-	22,495	-	22,495	22,495	-
Tax losses carried forward	-	56,664	-	56,664	56,664	-
Deferred tax asset/(liability)	-	67,275	(404)	66,871	90,941	(24,070)

22 Contingencies

Tax and legal matters

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

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

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

As of 31 December 2023 there were no legal actions and complaints taken against the Company. Therefore, the Company has not made any respective provision related to such tax and legal matters.

Insurance

The insurance industry in Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. However, as of 31 December 2023 the Company's transportation is insured. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

23 Transactions with related parties

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

The ultimate controlling parteies of the Company is L. Altunyan and A. Meliksetyan with equal shares, who indirectly owns 100% of the voting shares.

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

The details of transactions with related parties are as follows:

In thousand Armenian drams	**2023**	
	Shareholders and parties related with them	**Key management personnel and parties related with them**
Statement of financial position		
Insurance contract liabilities		
As of 25 July	-	-
Increase	12,484	426
As of 31 December	12,484	426
Statement of profit or loss and other comprehensive income		
Insurance revenue	2,225	55

Compensation of key management personnel was comprised of the following:

In thousand Armenian drams	2023
Salaries and bonuses	183,730
Total key management compensation	183,730

24 Fair value measurement

The Company’s Management determines the policies and procedures for both recurring fair value measurement, such as unquoted securities measured at FVOCI.

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

Financial and non-financial assets and liabilities measured at fair value are presented below in accordance with the fair value hierarchy. This hierarchy groups financial and non-financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 teach fair value measurement is categorised.

In thousand Armenian drams	31 December 2023				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
Financial assets					
Cash	-	187,665	-	187,665	187,665
Deposits in banks	-	1,351,801	-	1,351,801	1,351,801
Investment securities measured at amortised cost	-	610,103	-	610,103	606,202
Other assets	-	4,253	-	4,253	4,253
Financial liabilities					
Other liabilities	-	154,298	-	154,298	154,298

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

24.2 Financial instruments that are measured at fair value

In thousand Armenian drams	31 December 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Debt securities measured at FVOCI	-	299,951	-	299,951
Total	-	299,951	-	299,951

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.

As of 31 December 2023 the Company does not have financial assets and financial liabilities in the statement of financial position which are presented in net amount or will be offset due to presence of the master netting arrangements or similar agreements.

26 Maturity analysis

The following table presents the financial assets and liabilities by its expected maturityies:

In thousand Armenian drams	31 December 2023						
	Demand and less than 1 month	From 1 to 12 months	Subtotal less than 12 months	From 1 to 5 years	More than 5 years	Subtotal over 12 months	Total
Assets							
Cash	187,665	-	187,665	-	-	-	187,665
Deposits in banks	-	1,351,801	1,351,801	-	-	-	1,351,801
Investments in securities	-	606,202	606,202	117,736	182,215	299,951	906,153
Other assets	4,253	-	4,253	-	-	-	4,253
	191,918	1,958,003	2,149,921	117,736	182,215	299,951	2,449,872
Liabilities							
Lease liabilities	24	18,512	18,536	31,494	-	31,494	50,030
Other liabilities	104,268	-	104,268	-	-	-	104,268
	104,292	18,512	122,804	31,494	-	31,494	154,298
Net position	87,626	1,939,491	2,027,117	86,242	182,215	268,457	2,295,574
Accumulated gap	87,626	2,027,117		2,113,359	2,295,574		

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, which includes liquidity risk, market risk and credit risk.

The independent risk control process does not include business risks such as changes in the environment, technology, and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

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

Board of Directors

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

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Company.

Risk Management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

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 underlying insurance contract liabilities and 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 reinsurance held, to the extent that any reinsurer is unable to meet its obligations. 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.

27.1.1 Insurance and reinsurance contracts

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the

Company. The Company further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

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

Key assumptions

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

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

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

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

Sensitivities

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

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

In thousand Armenian drams			2023
		Impact on profit before tax	
	Change in assumptions in %	Gross of reinsurance	Net of reinsurance
Average claim cost	+5	(156,090)	(93,906)
	-5	156,090	93,906
Impact of changes in macroeconomic indicators	+1	4,551	2,817
	-1	(4,551)	(2,817)

Claims development

As required by IFRS 17, in setting claims provisions, the Company gives consideration to the probability and magnitude of future experience being more adverse than assumed which is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

The company does not have sufficient history to identify a claim development.

27.2 Credit risk

Credit risk is the risk that one party to a financial instrument, insurance contract issued in an asset position or reinsurance contract held will cause a financial loss for the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk.

The Company's credit risk policy sets out the assessment and determination of what constitutes credit risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

Credit risk relating to financial instruments is monitored by the Company's investment team. It is their responsibility to review and manage credit risk, including environmental risk for all counterparties. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. It is the Company's policy to invest in high quality financial instruments with a low risk of default. If there is a significant increase in credit risk, the policy dictates that the instrument should be sold and amounts recovered reinvested in high quality instruments.

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.

The credit risk in respect of customer balances incurred on non–payment of premiums will only persist during the grace period specified in the policy document. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of default.

27.2.1 Impairment and provisioning policies

The Company continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

The Company considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due.

The Company considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Company may also consider an instrument to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full. In such cases, the Company recognises a lifetime ECL.

The Company assesses the possible default events within 12 months for the calculation of the 12mECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be 100%. In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated based on economic scenarios.

There has been no significant increase in credit risk or default for financial assets during the year**.** No collateral is held as security for any past due or impaired assets.

27.2.2 Risk concentrations of the maximum exposure to credit risk

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.

In thousand Armenian drams	Investment category	Non-investment category	Not rated	Total
Cash	115,465	-	72,200	187,665
Deposits in banks	1,044,541	-	307,260	1,351,801
Investments in securities	906,153	-	-	906,153
Other assets	-	-	4,253	4,253
As of 31 December 2023	2,066,159	-	383,713	2,449,872

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.

27.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

The Company's market risk policy sets out the assessment and determination of what constitutes market risk for it. Compliance with the policy is monitored and exposures and breaches are reported to the Company's risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

Guidelines are set for asset allocation and portfolio limit structure, to ensure that assets back specific policyholders' liabilities and that assets are held to deliver income and gains needed to meet the Company's contractual requirements.

27.3.1 Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

There is no direct contractual relationship between financial assets and insurance contracts. However, the Company's interest rate risk policy requires it to manage the extent of net interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments to support the insurance contract liabilities. The policy also requires it to manage the maturities of interest bearing financial assets.

27.3.2 Currency risk

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

The tables below indicate the currencies to which the Company had significant exposure as of 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 income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). A negative amount in the table reflects a potential net reduction in income statement, while a positive amount reflects a net potential increase.

In thousand Armenian drams	31 December 2023	
Currency	Change in currency rate in %	Effect on profit before tax
USD	+5	(2,175)
USD	-5	2,175

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

In thousand Armenian drams	31 December 2023		
	Armenian Dram	Freely convertible currencies/ precious metals	Total
Assets			
Cash	150,011	37,654	187,665
Deposits in banks	1,269,542	82,259	1,351,801
Investment in securities	906,153	-	906,153
Reinsurance contract assets	4,196	-	4,196
Other assets	4,253	-	4,253
	2,334,155	119,913	2,454,068
Liabilities			
Insurance contract liabilities	792,875	146,463	939,338
Reinsurance contract liabilities	66,925	16,945	83,870
Other liabilities	154,298	-	154,298
Total	1,014,098	163,408	1,177,506
Net position as of 31 December 2023	1,320,057	(43,495)	1,276,562

Freely convertible currencies represent mainly US dollar amounts, but also include currencies from other OECD countries. Non-freely convertible amounts relate to currencies of CIS countries, excluding Republic of Armenia.

27.3.3 Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments or insurance contract assets and/or liabilities will fluctuate because of changes in market prices (other than those arising from interest rate or foreign exchange rate risk), whether those changes are caused by factors specific to the individual financial instrument or contract, or by factors affecting all similar contracts or financial instruments traded in the market.

The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company does not issue any participating contracts. Therefore, there are no insurance or reinsurance contracts which are exposed to price risk.

The Company's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on individual and total equity instruments.

The Company has no significant concentration of price risk.

27.4 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with insurance liabilities that are settled by delivering cash or another financial asset. In respect of catastrophic events, there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily bases. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Company maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company.

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

The Company made use of IFRS 17 "Insurance Contracts", Article 132, Clause b, i. instead of the repayment analysis required by point "a" of Paragraph 39 of IFRS 7, disclosing information on the estimated dates of net cash outflows arising from recognized insurance and reinsurance liabilities as of 31 December 2023. Remaining coverage liabilities estimated under the premium allocation approach are excluded from this analysis.

In thousand Armenian drams					31 December 2023
	Less than 1 year	From 1 to 2 years	More than 2 years	Total	Total carrying amount
Insurance contract liabilities					
Voluntary health insurance	110,953	-	-	110,953	110,953
Cargo insurance	1,718	159	-	1,877	1,820
Property insurance	16,878	234	-	17,112	17,028
Accident insurance	710	-	-	710	710
General liability insurance	9,991	930	-	10,921	10,588
Assistance (Travel) insurance	8,178	-	-	8,178	8,178
Motor and voluntary MTPL insurance	32,658	3,078	-	35,736	34,636
Aircraft hull and aircraft liability insurance	-	-	-	-	-
Total	181,086	4,401	-	185,487	183,913
Reinsurance contract liabilities					
Voluntary health insurance	-	-	-	-	-
Cargo insurance	1,585	147	-	1,732	1,680
Property insurance	15,142	123	-	15,265	15,221
Accident insurance	674	-	-	674	674
General liability insurance	9,910	919	-	10,829	10,501
Assistance (Travel) insurance	4,692	-	-	4,692	4,692
Motor and voluntary MTPL insurance	26,621	2,445	-	29,066	28,191
Aircraft hull and aircraft liability insurance	-	-	-	-	-
Total	58,624	3,634	-	62,258	60,959

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 credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

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

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

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

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

28 Capital adequacy

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

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

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

The capital adequacy ratio of an insurance company is calculated by the ratio of total capital to required capital.

Total capital consists of core capital, which comprises share capital, retained earnings including current year profit, and general reserve. Total capital is calculated in accordance with the requirements of the Central Bank of Armenia. The other component of total capital is additional capital, which includes revaluation reserves.

The required capital is calculated in accordance with requirements of the Central Bank of Armenia.

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

In thousand Armenian drams	Unaudited 31 December 2023
Core capital	1,839,386
Additional capital	1,394
Total capital	1,840,780
Required capital	1,156,689
Capital adequacy ratio	159%

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