«Norman Credit» UCO CJSC
Annual Financial Statements and
Independent Auditor’s report

For the year ended 31 December 2021

May 2022
Yerevan

Contents

Legal form: `	Universal Credit Organization Closed Joint Stock Company
Principal activities:	Providing loans and credits
Chairman of the Management Board:	Arakel Gabrielyan

INDEPENDENT AUDITOR'S REPORT

To the Board of "Norman Credit" UCO CJSC

Opinion

We have audited the accompanying financial statements of "Norman Credit" UCO CJSC ("the Company"), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respect, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

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

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

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

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

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

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 high level of assurance, but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements arise from fraud and 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.

BDO

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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 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.

13 May 2022
"BDO Armenia" CJSC

Vahagn Sahakyan, FCCA
Managing Partner

"Norman Credit" UCO CJSC

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

	Notes	2021 AMD'000	2020 AMD'000
Interest and similar income	5	591,514	542,885
Interest and similar expense	5	(48,126)	(34,137)
Net interest income		**543,388**	**508,748**
Fee and commission income		45,078	52,419
Fee and commission expense		(318)	(523)
Other operating income		21,139	25,136
Foreign exchange gain/(loss), net		(20,922)	30,253
Operating income		**588,365**	**616,033**
Impairment loss	6	(154,893)	(99,818)
Personnel expense		(208,256)	(169,269)
Administrative expense	7	(140,713)	(133,441)
Profit before tax		**84,503**	**213,505**
Income tax expense	8	(18,793)	(35,976)
Profit for the year		**65,710**	**177,529**
Other comprehensive income			
Gain/(Loss) on revaluation of financial assets at fair value through other comprehensive income	10	(74,237)	44,139
Income tax effect of other comprehensive income	14	13,363	(7,945)
		(60,874)	**36,194**
Total comprehensive result		**4,836**	**213,723**

Financial statements (pages 5-35) were approved by the management of Norman Credit on 13 May 2022 and signed by:

Arakel Gabrielyan
Chairman of Executive Board

Hasmik Mamyan
Chief Accountant

«Norman Credit» UCO CJSC

Statement of financial position
As at 31 December 2021

	Note.	31.12.2021 AMD'000	31.12.2020 AMD'000
Assets			
Cash and cash equivalents	9	196,199	403,238
Investment securities	10		
- Held by the Company		367,045	989,534
- Pledged under repurchase agreements		649,382	-
Loans to customers	12	5,088,383	4,298,046
Property, equipment and intangible assets	11	286,036	160,004
Other assets		23,920	3,651
Total Assets		**6,610,965**	**5,854,473**
Liabilities			
Borrowings	13	1,124,320	832,493
Liabilities under repurchase agreements	10	497,270	-
Deferred tax liabilities	14	10,301	29,333
Current tax liabilities		7,506	32,146
Other liabilities		34,138	27,907
		1,673,535	**921,879**
Equity			
Share capital	15	4,576,800	4,576,800
Additional paid-in capital	15	51,513	51,513
Fair value reserve for investment securities	10	64,822	125,696
General reserve	15	10,000	1,000
Retained earnings	15	234,295	177,585
		4,937,430	**4,932,594**
Total liabilities and equity		**6,610,965**	**5,854,473**

«Norman Credit» UCO CJSC
Statement of Cash flows
For the year ended 31 December 2021

	2021 AMD'000	2020 AMD'000
Cash flows from operating activities		
Interest receipts	594,523	493,651
Interest payments	(14,648)	(17,383)
Fees and commissions received	45,078	52,419
Fees and commissions paid	(318)	(523)
Net receipts from foreign exchange	949	6,152
Salaries and benefits paid	(202,685)	(166,797)
Other income received	21,189	2,339
Other general administrative expenses	(82,059)	(93,953)
Income tax paid	(45,874)	(20,499)
	316,155	*255,406*
Net (increase)/decrease in net operating assets		
Loans to customers	(1,042,699)	(602,860)
Investment securities (Note 10)	(108,059)	229,347
Liabilities under repurchase agreements	515,454	(702,678)
Other assets	(20,269)	3,229
Other liabilities	765	(3,739)
Net cash from operating activities	**(338,653)**	**(821,295)**
Cash flows from investing activities		
Purchase of property and equipment	(73,446)	(47,043)
Net cash used in investing activities	**(73,446)**	**(47,043)**
Cash flows from financing activities		
Issue of share capital	-	955,200
Receipt of borrowings (Note 13)	270,563	287,437
Dividends paid	-	(13,801)
Payment of lease liability principal amount (Note 13)	(25,208)	(18,863)
Payment of lease liability interest (Note 13)	(11,737)	(8,120)
Net cash from financing activities	**233,618**	**1,201,853**
Net decrease/Increase in cash on hand and held with bank	**(178,481)**	**333,515**
Effect of exchange rate changes on cash and cash equivalents	(28,619)	2,792
Cash at the beginning of the year	403,330	67,023
Cash at the end of the year (Note 9)	**196,230**	**403,330**

«Norman Credit» UCO CJSC

Statement of changes in equity
As at and for the year ended 31 December 2021

	Share Capital AMD'000	Additional Paid-in capital AMD'000	Fair value reserve for investment securities AMD'000	General reserve AMD'000	Retained earnings AMD'000	Total AMD'000
Balance at 1 January 2020	**3,621,600**	**48,565**	**89,502**	**-**	**14,857**	**3,774,524**
Total comprehensive income						
Profit of the year	-	-	-		177,529	177,529
Other comprehensive income						
Change in fair value, net of tax	-	-	44,139		-	44,139
Change in fair value, tax effect	-	-	(7,945)		-	(7,945)
Other comprehensive income	**-**	**-**	**36,194**		**-**	**36,194**
Total comprehensive income	**-**	**-**	**36,194**		**177,529**	**213,723**
Transactions with owners						
Share issue	955,200	-	-		-	955,200
Dividends					(13,801)	(13,801)
Transfer to reserve	-	-	-	1,000	(1,000)	-
Adjustment to additional paid-in capital related to change of deferred tax rate	-	2,948	-	-	-	2,948
Total transactions with owners	**955,200**	**2,948**	**-**	**1,000**	**(14,801)**	**944,347**
Balance at 31 December 2020	**4,576,800**	**51,513**	**125,696**	**1,000**	**177,585**	**4,932,594**
Total comprehensive income						
Profit of the year	-	-	-		65,710	65,710
Other comprehensive income						
Change in fair value, net of tax	-	-	(74,237)		-	(74,237)
Change in fair value, tax effect	-	-	13,363		-	13,363
Total other comprehensive income	**-**	**-**	**(60,874)**	**-**	**-**	**(60,874)**
Total comprehensive income for the year	**-**	**-**	**(60,874)**	**-**	**65,710**	**4,836**
Transactions with owners						
Transfer to reserve	**-**	**-**	**-**	**9,000**	**(9,000)**	**-**
Total transactions with owners	**-**	**-**	**-**	**9,000**	**(9,000)**	**-**
Balance at 31 December 2021	**4,576,800**	**51,513**	**64,822**	**10,000**	**243,295**	**4,937,430**

Content

1. Company background

“Norman Credit” Universal Credit Organization Closed Joint-Stock Company (hereinafter the Company) was registered and licensed as NORMAN CREDIT UCO CJSC according to the decision of the Board of the RA Central Bank No. 53A dated 27.04.2018. The Company has been operating since June 1, 2018. Its main activity is the provision of consumer, mortgage and entrepreneurial loans to individuals and legal entities in the Republic of Armenia.

The only shareholder of the Company is “Odenssnus AB” LTD (registered in the Kingdom of Sweden on 06.05.2013), which owns 100% of the Company’s shares.

The Company operates through the head office located at premise 3, Sayat-Nova ave. building 12, Yerevan, and a branches located at premise 55 in Komitas str 34, Zoravar Andranik str 113/1, Gay str 19/8 and 19/27, city Vanadzor Tigran Mets str. 42-1/11 and in city Gyumri, Armenia Rustaveli 63/1 .

Number of employees of the Company as of 31 December 2021 is 39 (31 December 2020: 32).

Armenian business environment

The Company operates in Armenia. Consequently, the Company is exposed to Armenia’s economy and financial markets which have emerging market features.
Legal, tax and regulatory regimes are in development stage, with frequent changes and contrasting interpretations, which creates additional difficulties for the business operating in Armenia, in addition to other legal and financial challenges.
The financial statements reflect the Company’s assessment of the Company’s operations and exposure of the business environment on the financial position. The future business environment can differ of that of expected.

Widespread geographical spread of the new type of coronavirus (COVID-19) during the reporting period; its expansion into the territory of the Republic of Armenia. The severity of the epidemic continues to impact as well as the effectiveness of the measures taken to address the problem remain uncertain at this time.

In addition, in 2020 the war unleashed by Azerbaijan against the Artsakh Republic on September 27, 2020, created significant preconditions for political and economic crises, which in turn led to a decrease in the general mood of investors against the dram, an increase in volatility and fluctuations in financial markets.

Such a business environment has a significant impact on the Company’s operations and financial condition. The Company takes the necessary measures to ensure the stability of the Company's operations, however, due to the unpredictability of developments, the Management does not have the opportunity to give a credible assessment of how such circumstances will affect the financial condition of the Company in the coming years.

2. Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs).

The principal accounting policies adopted in the preparation of the financial statements are set out in note 19. The policies have been consistently applied to all the years presented unless otherwise stated.

The financial statements are presented in Armenian Drams (AMD), which is also the Company's functional currency. Amounts are rounded to the nearest thousand (AMD'000), unless otherwise stated.

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

Basis of measurement

The financial statements have been prepared on historical cost basis.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2021

There are no new standards, interpretations and amendments, entered into force from 1 January 2021 and which had significant effect on the Company's financial statements

b) New standards, interpretations, and amendments not yet effective

There were no new standards, interpretations, and amendments that are issued but not yet effective that will have or may have an impact on the Company's future financial statements.

3. Critical accounting estimates and judgments

Information about estimates and judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is presented below:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 19.
- impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition, a grouping of assets with the same debt risk profile, estimating expected debt loss, including using forecasting information.
- Lease – determination of lease term for certain types of leases where the Company is a lessee, determination of the rate for the discounting of the lease liabilities (Note 13).

Fair value measurement

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

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

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

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.

4. Financial instruments - Risk Management

The Company is exposed through its operations to the following financial risks:

- Credit risk,
- Interest rate risk,
- Foreign exchange risk,
- Liquidity risk.

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

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

a) Principal financial instruments

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

- Loans to customers
- Cash and cash equivalents
- Investment securities
- Loans and borrowings
- Liabilities under repurchase agreements
- Lease obligations.

b) Financial instruments by category

Financial assets measured at amortised cost

	2021 AMD'000	2020 AMD'000
Loans to customers	5,088,383	4,298,046
Cash and cash equivalents	196,199	403,238
	5,284,282	**4,701,284**

Financial assets measured at fair value through OCI

	2021 AMD'000	2020 AMD'000
Investment securities	1,016,427	989,534
	1,016,427	**989,534**

Financial liabilities measured at amortised cost

	2021 AMD'000	2020 AMD'000
Borrowings	1,124,320	832,493
Liabilities under repurchase agreements	497,270	-
	1,621,590	**832,493**

c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, bank deposits, loans to customers, and borrowings.

For details of the fair value hierarchy, valuation techniques, and significant unobservable inputs related to determining the fair value of loans to customers, liabilities under repurchase agreement and loans and borrowings, which are classified in the fair value hierarchy, refer to Annex A.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The main business of the Company is to provide loans. Respectively credit risk is of crucial importance in the Loan Organization risk management. To avoid significant financial damage caused by this, the Company uses various methods to identify and manage effectively the credit risks.

Credit risk is mainly related to loans granted to customers and bank deposits. As for the loans to customers, this risk is concentrated in the Republic of Armenia.

Risk management and monitoring is carried out within the established powers. These procedures are implemented by the Management and Board of Directors of the credit institution.

Information submitted to Management is preliminary analytical information based on an appropriate study of the customer’s initial application, his/her business and credit risks by credit specialist, the accuracy of which is checked by the credit manager using the comparative method under the responsibility of the credit specialist and credit manager. Eventually, the Management members assess the compliance of the application with established criteria (applicant's credit history, financial position, competitive ability, etc.).

The Head of Management board must identify operating, credit, and product risks.

According to the Company’s procedure on loan provision and servicing, credit specialists, operating unit, and security accordingly analyze the overdue loans and pursues overdue balances.

All the loans of the Company are secured by personal guarantees of borrowers and/or other entities, movable and immovable property, as well as by working capital.

Common objectives, policies and processes

The Company’s objective is to define a policy that will reduce the risk to the extent possible, without affecting its competitiveness and flexibility. Details of this policy are presented below.

Maximum exposure of credit risk

The Company’s maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks. For the financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or considering the impact of collateral.

Financial assets’ maximum exposure to credit risk as of reporting date is presented below:

	2021	2020
	AMD’000	AMD’000
Loans to customers	5,088,383	4,298,046
Investment securities	1,016,427	989,534
Cash and cash equivalents	129,927	379,863
	6,234,737	**5,667,443**

Impairment allowance

The Company establishes an allowance for impairment losses that represents its estimate of expected credit losses in its loan portfolio. For more information about ECL refer note 19.

Geographical concentration

The geographical concentration of the Company’s assets and liabilities is restricted to the territory of Armenia.

Cash and cash equivalents

The Company believes that the risk of cash loss can be deemed as insignificant since the financial institutions selected for ithe nvestment of the Company’s funds are reliable and authoritative.

Market risk

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

Interest rate risk

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

Analysis of interest rate review terms

Interest rate risk is managed principally through monitoring the analysis of interest rate review terms. The following table sets out the analysis of interest rate review terms for the main financial instruments as at 31 December 2021 and 2020.

	Up to 3 month AMD'000	Between 3 and 6 months AMD'000	Between 6 and 12 months AMD'000	Between 1 and 5 years AMD'000	Over 5 years AMD'000	Total AMD'000
31 December 2021						
Assets						
Cash and cash equivalents	196,199	-	-	-	-	196,199
Investment securities	16,907	7,586	-	108,262	883,672	1,016,427
Loans to customers	183,905	176,992	409,127	3,317,579	1,000,780	5,088,383
	397,011	**184,578**	**409,127**	**3,425,841**	**1,884,452**	**6,301,009**
Liabilities						
Borrowings	14,394	50,744	23,908	1,035,274	-	1,124,320
Liabilities under repurchase agreements	497,270	-	-	-	-	497,270
	511,664	**50,744**	**23,908**	**1,035,274**	**-**	**1,621,590**
	(114,653)	**133,834**	**385,219**	**2,390,567**	**1,884,452**	**4,679,419**

	Up to 3 months AMD'000	Between 3 and 6 months AMD'000	Between 6 and 12 months AMD'000	Between 1 and 5 years AMD'000	Over 5 years AMD'000	Total AMD'000
31 December 2020						
Assets						
Cash and cash equivalents	403,238	-	-	-	-	403,238
Investment securities	16,907	6,109			966,518	989,534
Loans to customers	344,858	316,014	436,134	2,556,155	644,885	4,298,046
	765,003	**322,123**	**436,134**	**2,556,155**	**1,611,403**	**5,690,818**
Liabilities						
Borrowings	5,706	30,531	12,444	783,812	-	832,493
	5,706	**30,531**	**12,444**	**783,812**	**-**	**832,493**
	759,297	**291,592**	**423,690**	**1,772,343**	**1,611,403**	**4,858,325**

Average effective interest rates

The table below presents the average effective interest rates for interest bearing assets and liabilities as at 31 December 2021 and 2020. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	31.12.2021 Average effective interest rate			31.12.2020 Average effective interest rate	
	AMD	USD	EUR	AMD	USD
Interest bearing assets					
Investment securities	10.8	-	-	11.2	-
Loans to customers	22.1	10.9	6.2	23.5	11.0
Interest-bearing liabilities					
Borrowings	10.1	4.2	2.5	10.1	4.2
Liabilities under repurchase agreements	-	4.0	3.0	-	-

Foreign exchange risk

Foreign exchange risk arises when individual Company's entities enter into transactions denominated in a currency other than their functional currency.

As of 31 December 2021 and 2020, the Company's net exposure to foreign exchange risk was as follows:

Financial assets/(liabilities) in foreign currency

	31.12.2021	31.12.2020
USD	**AMD'000**	**AMD'000**
ASSETS		
Cash and cash equivalents	107,453	293,571
Loans to customers	1,053,165	706,331
Total assets	**1,160,618**	**999,902**
LIABILITIES		
Borrowings	(697,628)	(745,769)
Liabilities under repurchase agreements	(168,232)	-
Total liabilities	**(865,860)**	**(745,769)**
Net Position	**294,758**	**254,133**

	31.12.2021	31.12.2020
EUR	**AMD'000**	**AMD'000**
ASSETS		
Loans to customers	532,256	-
Total assets	**532,256**	**-**
LIABILITIES		
Borrowings	(253,887)	-
Liabilities under repurchase agreements	(329,037)	-
Total liabilities	**(582,924)**	**-**
Net Position	**(50,668)**	**-**

AMD 480.14 against USD 1 rate of RA Central bank effective at the reporting date was used by the Company to measure foreign currency financial instruments in Armenian drams. The effect of a 10% strengthening of USD against AMD at the reporting date on the USD-denominated financial instruments, all other variables held constant, would have resulted in an increase in post-tax profit

for the year and net assets of AMD 24,170 thousand and 10% weakening would, on the same basis, have decreased post-tax profit and net assets in the same amount (2020: AMD 25,413 thousand).

AMD 542.61 against EUR 1 rate of RA Central bank effective at the reporting date was used by the Company to measure foreign currency financial instruments in Armenian drams. The effect of a 10% strengthening of EUR against AMD at the reporting date on the EUR-denominated financial instruments, all other variables held constant, would have resulted in an decrease in post-tax profit for the year and net assets of AMD 4,155 thousand and 10% weakening would, on the same basis, have increased post-tax profit and net assets in the same amount.

Liquidity risk

Liquidity risk arises from the Company's management of working capital, the finance charges and principal repayments on its debt instruments. It is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company's policy is to ensure that it will always have sufficient cash available to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. The Company also seeks to reduce liquidity risk by fixing interest rates (and hence cash flows) on a portion of its long-term borrowings, this is further discussed in the 'interest rate risk' section.

Each operation has a facility with Company's treasury, the amount of the facility being based on budgets. The budgets are set locally and agreed by the Board in advance, enabling the Company's cash requirements to be anticipated. Where the amount of the facility is above a certain level, agreement of the Board is needed.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities as of 31 December 2021:

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Total	Carrying amount
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
31 December 2021						
Loans and borrowings	5,113	13,365	66,210	1,176,623	**1,261,311**	**1,124,320**
Liabilities under repurchase agreements	-	497,278	-	-	**497,278**	**497,270**
	5,113	**510,643**	66,210	1,176,623	**1,758,589**	**1,621,590**

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities as of 31 December 2020:

	Up to 1 month AMD'000	Between 1 and 3 months AMD'000	Between 3 and 12 months AMD'000	Between 1 and 5 years AMD'000	Total AMD'000	Carrying amount AMD'000
31 December 2020						
Loans and borrowings	2,591	5,164	42,278	909,232	959,265	832,493
	2,591	**5,164**	**42,278**	**909,232**	**959,265**	**832,493**

Analysis of asset and liability maturities by carrying items as of 31 December 2021 is presented below.

	Up to 1 month AMD'000	Between 1 and 3 months AMD'000	Between 3 and 12 months AMD'000	Between 1 and 5 years AMD'000	Over 5 years AMD'000	Overdue AMD'000	No maturity AMD'000	Total AMD'000
Assets								
Cash and cash equivalents	196,199	-	-	-	-	-	-	196,199
Investment securities		16,907	7,586	108,262	883,672	-	-	1,016,427
Loans to customers	74,975	108,930	577,929	3,317,578	1,000,780	8,191	-	5,088,383
Property and equipment and Intangible assets	-	-	-	-	-	-	286,036	286,036
Other assets	-	-	-	-	-	-	23,920	23,920
Total assets	**271,174**	**125,837**	**585,515**	**3,425,840**	**1,884,452**	**8,191**	**309,956**	6,610,965
Liabilities								
Borrowings	3,722	10,672	74,652	1,035,274	-	-	-	**1,124,320**
Liabilities under repurchase agreements	-	497,270	-	-	-	-	-	**497,270**
Deferred tax liabilities	-	-	-	-	10,301	-	-	**10,301**
Current tax liabilities	-	-	7,506	-	-	-	-	**7,506**
Other liabilities	-	-	-	-	-	-	34,138	**34,138**
Total liabilities	**3,722**	**507,942**	**82,158**	**1,035,274**	**10,301**	**-**	**34,138**	**1,673,535**
Net position	**267,452**	**(382,105)**	**503,357**	**2,390,566**	**1,874,152**	**8,191**	**275,818**	**4,937,430**

Analysis of asset and liability maturities by carrying items as of 31 December 2020 is presented below

	Up to 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Overdue	No maturity	Total
	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000	AMD'000
Assets								
Cash and cash equivalents	403,238	-	-	-	-	-	-	403,238
Investment securities	-	16,907	6,109	-	966,518	-	-	989,534
Loans to customers	120,931	223,926	731,535	2,556,155	644,886	20,613		4,298,046
Property and equipment and intangible assets	-	-	-	-	-	-	160,004	160,004
Other assets	-	-	-	-	-	-	3,651	3,651
Total assets	**524,169**	**240,833**	**737,644**	**2,556,155**	**1,611,404**	**20,613**	**163,655**	**5,854,473**
Liabilities								
Borrowings	-	5,706	42,975	783,812	-	-	-	832,493
Deferred tax liabilities	-	-	-	-	29,333	-	-	29,333
Current tax liabilities	-	-	32,146	-	-	-	-	32,146
Other liabilities	-	-	-	-	-	-	27,907	27,907
Total liabilities	**-**	**5,706**	**75,121**	**783,812**	**29,333**	**-**	**27,907**	**921,879**
Net position	**524,169**	**235,127**	**662,523**	**1,772,343**	**1,582,071**	**20,613**	**135,748**	**4,932,594**

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balances. The CBA sets and monitors capital requirements for the Company. Under the current capital requirements set by the CBA, universal credit organizations have to maintain a minimum share capital of AMD 1,000,000 thousand as of December 31, 2021 (1,000,000 AMD as of December 31, 2020) if they purchase cash and/or sell foreign currency.

According to the current capital requirements set by the Central Bank of the Republic of Armenia, as of December 31, 2021, the universal credit organizations must ensure the ratio of risk-weighted capital assets (statutory capital ratio). As of December 31, 2021, the minimum level is 10% (2020: 10%). The organization corresponds to the statutory capital ratio as of December 31, 2021 and December 31, 2020.

The following table analyses the Company's net debt to equity ratio as at 31 December 2021 and 2020:

	31.12.2021 AMD'000	31.12.2020 AMD'000
Loans and borrowings	1,124,320	832,493
Liabilities under repurchase agreements	497,270	-
Less cash and cash equivalents	(196,199)	(403,238)
Net debt	**1,425,391**	**429,255**
Equity	**4,937,430**	**4,932,594**
Net debt to equity ratio	**0.29**	**0.09**

The increase in the debt-to-equity ratio in 2021 was mainly due to the increase in Net debt, which, in its turn, was driven by Loans and borrowings and Liabilities under repurchase agreement increase.

5. Net interest income

	2021 AMD'000	2020 AMD'000
Interest income		
Loans to customers	496,203	443,340
Investment securities (note 10)	91,551	97,900
Bank deposits and current accounts	3,760	1,645
	591,514	**542,885**
Interest expense		
Loans and borrowings (note 13)	(32,528)	(21,722)
Liabilities under repurchase agreements	(3,861)	(4,295)
Lease liabilities (note 13)	(11,737)	(8,120)
	(48,126)	**(34,137)**
Net interest income	**543,388**	**508,748**

6. Impairment losses, net

	2021 AMD'000	2020 AMD'000
Expected credit loss increase on loans to customers	148,149	85,504
Investment securities allowance (Note 10)	3,306	8,825
Investment securities impairment	-	2,804
Cash and cash equivalents allowance	(61)	92
Other	3,499	2,590
	154,893	**99,818**

7. Administrative expenses

	2021 AMD'000	2020 AMD'000
Depreciation and amortization	58,655	39,491
Security	18,516	13,884
Office expenses	13,038	24,360
Loan provision costs	10,088	20,554
Advertising and marketing expenses	9,132	7,808
Non-refundable taxes	9,559	9,296
Equipment and building maintenance costs	7,889	5,373
Audit and consultancy	2,000	3,375
Lease	132	132
Other	11,704	9,168
	140,713	**133,441**

8. Income tax expense

	31.12.2021 AMD'000	31.12.2020 AMD'000
Current Income tax expense	19,512	39,823
Deferred tax expense/(income) (Note 14)	(719)	(3,847)
	18,793	**35,976**

In accordance with the Tax Code of the Republic of Armenia, the profit tax rate for the current reporting period is 18% (2020: 18%).

Current period profit tax expense is calculated using 18% rate, and as a 31 December 2020 deferred tax asset is calculated using 18% rate.

Effective tax rate reconciliation

	2021		2020	
	AMD'000	%	AMD'000	%
Profit before tax	**84,503**		**213,505**	
Income tax expense	15,211	18.0%	38,431	18.0%
Non-deductible expenses, net	3,582	4.2%	(2,455)	(1.1%)
Income tax expense and effective tax rate	**18,793**	**22.2%**	**35,976**	**16.9%**

9. Cash and cash equivalents

	31.12.2021 AMD'000	31.12.2020 AMD'000
Cash on hand	66,303	23,375
Current accounts at RA banks	129,927	379,955
Total cash and cash equivalents in the statement of cash flows	**196,230**	**403,330**
Expected credit loss	(31)	(92)
	196,199	**403,238**

10. Investment securities

	31.12.2021 AMD'000	31.12.2020 AMD'000
Securities measured at fair value through other comprehensive income – RA Government issued bonds		
- Held by the Company	367,045	989,534
- Pledged under repurchase agreements	649,382	-
	1,016,427	**989,534**
Expected credit loss presented fair value reserve for investment securities	(14,710)	(11,404)

Movement on state bonds is follows:

	2021 AMD'000	2020 AMD'000
Opening balance	989,534	1,132,460
Acquisition	108,059	-
Disposal	-	(182,116)
Fair value change	(80,772)	44,139
Interest accrued (note 5)	91,551	97,900
Accrued interest receipt	(91,945)	(100,045)
Impairment recognition	-	(2,804)
	1,016,427	**989,534**

Below table presents the reconciliation of opening and closing balances of securities expected credit loss for the years ended 31 December 2021 and 2020:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Debt securities measured at fair value through other comprehensive income				
Balance at 1 January 2021	**(11,404)**	**-**	**-**	**(11,404)**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(3,306)	-	-	(3,306)
New financial assets originated	-	-	-	-
Repaid assets	-	-	-	-
Balance at 31 December 2021	**(14,710)**			**(14,710)**

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Debt securities measured at fair value through other comprehensive income				
Balance at 1 January 2020	**(2,579)**	**-**	**-**	**(2,579)**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(8,825)	-	-	(8,825)
New financial assets originated		-	-	-
Repaid assets	-	-	-	-
Balance at 31 December 2020	**(11,404)**	**-**	**-**	**(11,404)**

From time to time the Company enters into repurchase agreements with Armenian banks. As of 31 December 2021, the total debt in respect to pledged securities was AMD 497,270 thousand. The maturity is less than 3 months. The company bears currency risk on those liabilities, as presented in Note 4.

11. Property, equipment, and intangible assets

	Vehicles AMD'000	Computer equipment AMD'000	Fixtures and fittings AMD'000	Other Fixed Assets AMD'000	Software AMD'000	Right of use assets* AMD'000	Leasehold improvements AMD'000	Total AMD'000
Cost								
Balance at 01 January 2020	**-**	**14,591**	**12,224**	**11,834**	**14,253**	**84,674**	**8,777**	**146,353**
Right-of-use assets increase	-	-	-	-	-	32,774	-	32,774
Additions	-	18,756	6,403	4,234	6,000	-	11,650	47,043
Balance at 31 December 2020	**-**	**33,347**	**18,627**	**16,068**	**20,253**	**117,448**	**20,427**	**226,170**
Right-of-use assets increase	-	-	-	-	-	111,290	-	111,290
Additions	19,600	8,726	12,811	9,776	6,954	-	15,588	73,455
Write-offs		(82)	(68)	(30)	(6,000)	-	-	(6,180)
Balance at 31 December 2021	**19,600**	**41,991**	**31,371**	**25,814**	**21,207**	**228,738**	**36,015**	**404,735**
Accumulated depreciation								
Balance at 01 January 2020	**-**	**(5,394)**	**(2,787)**	**(1,918)**	**(1,583)**	**(14,744)**	**(250)**	**(26,676)**
Amortisation	-	(5,151)	(2,329)	(1,946)	(5,462)	(22,400)	(2,202)	(39,490)
Balance at 31 December 2021	**-**	**(10,545)**	**(5,116)**	**(3,864)**	**(7,045)**	**(37,144)**	**(2,452)**	**(66,166)**
Amortization	(533)	**(8,175)**	**(3,177)**	**(2,946)**	**(7,404)**	**(33,468)**	**(2,951)**	**(58,654)**
Write-offs	-	**59**	**32**	**30**	**6000**	**-**	**-**	**6,121**
Balance at 31.12.2021	**(533)**	**(18,661)**	**(8,262)**	**(6,780)**	**(8,449)**	**(70,612)**	**(5,403)**	**(118,699)**
Net carrying amount								
Balance at 01 January 2020	**-**	**9,197**	**9,437**	**9,916**	**12,670**	**69,930**	**8,527**	**119,677**
Balance at 31 December 2020	**-**	**22,802**	**13,511**	**12,204**	**13,208**	**80,304**	**17,975**	**160,004**
Balance at 31 December 2021	**19,067**	**23,330**	**23,109**	**19,034**	**12,758**	**158,126**	**30,612**	**286,036**

*The Company rents the premises of its head office and branch, the lease term is until 2023-2026. The table above shows the movement of right-of-use assets during the year. Note 13 presents information of lease liabilities.

At 31 December 2021 and 2020 the Company's property and equipment is not pledged as collateral.

12. Loans to customers

Loans to customers measured at amortised cost	**31.12.2021 AMD'000**	**31.12.2020 AMD'000**
Loans to corporate customers		
Business loans to small and medium-sized companies	2,955,366	2,173,517
Total loans to corporate customers	**2,955,366**	**2,173,517**
Loans to retail customers		
Consumer loans	1,286,341	1,466,809
Mortgage loans	917,779	746,336
Total loans to retail customers	**2,204,120**	**2,213,145**
Gross loans to customers measured at amortised cost	**5,159,486**	**4,386,662**
Expected credit loss	(71,103)	(88,616)
Gross loans to customers measured at amortised cost	**5,088,383**	**4,298,046**

As at 31 December 2021 the loan portfolio is grouped into three stages:

- Stage 1 includes those loans, for which 12 months expected credit loss is assessed;
- Stage 2 includes those loans, which are not credit-impaired, but whose credit risk has significantly increased since the initial recognition and the expected credit loss is estimated for the lifetime period;
- Stage 3 includes those loans, which are credit-impaired, but whose credit risk has significantly increased since the initial recognition and the expected credit loss is estimated for the lifetime period

Below table presents information the credit quality of loans to customers portfolio as at 31 December 2021 in accordance with IFRS 9:

	Stage 1 AMD'000	**Stage 2 AMD'000**	**Stage 3 AMD'000**	**Total AMD'000**
Business loans				
-Non overdue	2,955,366	-	-	2,955,366
Total gross business loans	2,955,366	-	-	2,955,366
Expected credit loss	(17,749)	-	-	(17,749)
Total net business loans	**2,937,617**	**-**	**-**	**2,937,617**
Consumer loans				
- non overdue	1,201,964	-	-	1,201,964
- 1-30 days overdue	-	71,120	-	71,120
- 31-60 days overdue	-	758	-	758
- 91 and more days overdue	-	-	12,499	12,499
Total gross consumer loans	**1,201,964**	**71,878**	**12,499**	**1,286,341**
Expected credit loss	(24,653)	(14,135)	(12,012)	(50,800)
Total net consumer loans	**1,177,311**	**57,743**	**487**	**1,235,541**
Mortgage loans				
- Non overdue	917,779	-	-	917,779
Total gross mortgage loans	917,779	-	-	917,779
Expected credit loss	**(2,554)**	**-**	**-**	**(2,554)**
Total net mortgage loans	915,225	-	-	915,225
Total gross loans to customers	**5,075,109**	**71,878**	**12,499**	**5,159,486**
Expected credit loss	(44,956)	(14,135)	(12,012)	(71,103)
Total net loans to customers	**5,030,153**	**57,743**	**487**	**5,088,383**

Below table presents information the credit quality of loans to customers portfolio as at 31 December 2020 in accordance with IFRS 9:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Business loans				
-Non overdue	2,121,162	-	-	2,121,162
- 31-60 days overdue	-	52,355	-	52,355
Total gross business loans	**2,121,162**	**52,355**	**-**	**2,173,517**
Expected credit loss	(16,138)	(1,359)	-	(17,497)
Total net business loans	**2,105,024**	**50,996**	**-**	**2,156,020**
Consumer loans				
- non overdue	1,343,154	4,940	1,771	1,349,865
- 1-30 days overdue	-	9,541	-	9,541
- 31-60 days overdue	-	14,172	-	14,172
- 61-90 days overdue	-	14,945	-	14,945
- 91 and more days overdue	-	-	78,286	78,286
Total gross consumer loans	**1,343,154**	**43,598**	**80,057**	**1,466,809**
Expected credit loss	(18,590)	(8,192)	(41,980)	(68,762)
Total net consumer loans	**1,324,564**	**35,406**	**38,077**	**1,398,047**
Mortgage loans				
- Non overdue	746,336	-	-	746,336
Total gross mortgage loans	**746,336**	**-**	**-**	**746,336**
Expected credit loss	(2,357)	-	-	(2,357)
Total net mortgage loans	**743,979**	**-**	**-**	**743,979**
Total gross loans to customers	**4,210,652**	**95,953**	**80,057**	**4,386,662**
Expected credit loss	(37,085)	(9,551)	(41,980)	(88,616)
Total net loans to customers	**4,173,567**	**86,402**	**38,077**	**4,298,046**

The below table presents information on the significant changes in gross loans for the years ended 31 December 2021 and 2020 which had significant impact on the change of expected credit loss:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Balance at 1 January 2021	4,210,652	95,953	80,057	4,386,662
Transfer to Stage 1	16,166	(16,166)	-	-
Transfer to Stage 2	(7,620)	8,094	(474)	-
Transfer to Stage 3	(22,733)	-	22,733	-
Fully or partially repaid loans	(1,542,640)	(10,847)	(23,393)	(1,576,880)
New financial assets originated	2,467,449	65,083	-	2,532,532
Write-offs	(46,165)	(70,239)	(67,845)	(184,249)
Recoveries	-	-	1,421	1,421
Balance at 31 December 2021	**5,075,109**	**71,878**	**12,499**	**5,159,486**

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Balance at 1 January 2020	**3,664,093**	**47,348**	**41,094**	**3,752,535**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(36,829)	36,829	-	-
Transfer to Stage 3	(30,510)	(33,249)	63,759	-
Fully or partially repaid loans	(738,725)	(20,522)	(960)	(760,207)
New financial assets originated	1,355,325	65,547	18,912	1,439,784
Write-offs	(2,702)	-	(49,683)	(52,385)
Recoveries	-	-	6,935	6,935
Balance at 31 December 2020	**4,210,652**	**95,953**	**80,057**	**4,386,662**

Table below presents the reconciliation of opening and closing balances of expected credit loss of loans to customers for the years ended 31 December 2021 and 2020:

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Balance at 1 January 2021	(37,085)	(9,551)	(41,980)	(88,616)
Transfer to Stage 1	(3,064)	3,064	-	-
Transfer to Stage 2	34	(395)	361	-
Transfer to Stage 3	476	-	(476)	-
Net remeasurement of loss allowance	5,138	163	(10,591)	(5,290)
New financial assets originated	(26,576)	(13,785)	-	(40,361)
Repaid assets	15,595	2,227	8,797	26,619
Write-offs	526	4,142	32,669	37,337
Recoveries			(792)	(792)
Balance at 31 December 2021	**(44,956)**	**(14,135)**	**(12,012)**	**(71,103)**

	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Balance at 1 January 2020	**(41,328)**	**(4,853)**	**(4,255)**	**(50,436)**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	657	(657)	-	-
Transfer to Stage 3	14,917	2,087	(17,004)	-
Net remeasurement of loss allowance	-	(3,491)	(48«630)	(52,121)
New financial assets originated	(15,503)	(3,889)	(15,227)	(34,619)
Repaid assets	4,108	1,252	387	5,747
Write-offs	64	-	49,684	49,748
Recoveries	-	-	(6,935)	(6,935)
Balance at 31 December 2020	**(37,085)**	**(9,551)**	**(41,980)**	**(88,616)**

The table below summarizes carrying value of loans to customers as at 31 December 2021 and 2020 by type of security obtained by the Company.

	31.12.2021 AMD'000	31.12.2020 AMD'000
Pledge of claim right	1,077,325	501,463
Working capital	24,503	166,038
Real estate	2,370,571	1,909,946
Guarantee	535,228	763,535
Movable property	289,012	367,792
Gold and precious stones	234,188	203,432
Vehicles	477,484	307,831
Unsecured loans	80,072	78,009
	5,088,383	**4,298,046**

Loans of AMD 362,595 thousand are secured in the amount of claim right related to borrowing received from the Company's related party (Note 13).

Below table summarised the loans to customers by industry sectors:

	31.12.2021 AMD'000	31.12.2020 AMD'000
Loans to retail customers	2,204,120	2,213,145
Production of beverages	1,155,210	561,281
Trade	692,038	827,663
Other	631,853	27,783
Food processing	476,265	756,790
Expected credit loss	(71,103)	(88,616)
	5,088,383	**4,298,046**

As at 31 December 2021 the Company had 2 borrowers or groups of related borrowers whose exposure of loans to customers exceeded 10% of equity. As at 31 December 2021 the total exposure of the mentioned borrowers amounted AMD 1,171,912 thousand (4 borrowers with AMD 1,084,297 thousand total exposure at 31 December 2020).

13. Loans and borrowings

AMD'000	Currency	Maturity date	Interest rate (%)	31.12.2021	31.12.2020
Unsecured borrowings from related party	USD	2023-2025	3.3%-5.0%	697,627	733,293
Unsecured borrowings from related party	EUR	2023-2026	2.5%	253,887	-
Lease liabilities	AMD	2023-2026	10.1%	172,806	86,724
				1,124,320	**832,493**

The borrowing provided by the sole shareholder of the Company in USD is not secured, it bears interest rate of 2% and 3% and has been initially recognised at fair value using market discount rate of 5% and 3.3%.

Lease liabilities

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

The Company lease four office areas in city Yerevan, one in Gyumri and one in Vanadzor.

Reconciliation of cash flows from financing activities for the year ended 31 December 2021

	Unsecured borrowings from related party	Lease liabilities	Total
Balance at 1 January 2021	**745,769**	**86,724**	**832,493**
Increase in financial liabilities during the year	270,563	-	270,563
Increase in Lease liability according to IFRS 16	-	111,290	111,290
Interest expense (Note 5)	32,528	11,737	44,265
Repayment of financial liabilities during the year	-	(25,208)	(25,208)
Interest paid	(17,760)	(11,737)	(29,497)
Loss from foreign exchange rate movements	(79,586)	-	(79,586)
Balance at 31 December 2021	**951,514**	**172,806**	**1,124,320**

Reconciliation of cash flows from financing activities for the year ended 31 December 2020

	Unsecured borrowings from related party	Lease liabilities	Total
Balance at 1 January 2020	**412,563**	**72,813**	**485,376**
Increase in financial liabilities during the year	284,192	-	284,192
Initial recognition of Lease liability according to IFRS 16	-	32,774	32,774
Interest expense (Note 5)	21,723	8,120	29,843
Repayment of financial liabilities during the year	-	(18,863)	(18,863)
Interest paid	(9,441)	(8,120)	(17,561)
Loss from foreign exchange rate movements	36,732	-	36,732
Balance at 31 December 2020	**745,769**	**86,724**	**832,493**

14. Deferred tax liability

Details of deferred tax liabilities, amounts recognized in profit or loss and amounts recognized in other comprehensive income are set out below.

AMD'000	Balance at 1 January 2021	Recognized in profit or loss	Recognized in equity	Recognized in other comprehensive income	Balance at 31 December 2021
Property and equipment	(15,049)	(18,580)	-	-	(33,629)
Investment securities	(27,248)	2,885	-	13,363	(11,000)
Loans to customers	2,520	1,446	-	-	3,966
Loans and borrowings	8,287	18,335	-	-	26,622
Other liabilities	2,157	1,585	-	-	3,742
Tax liabilities	(29,333)	5,671	-	13,363	(10,301)

AMD'000	Balance at 1 January 2020	Recognized in profit or loss	Recognized in equity	Recognized in other comprehensive income	Balance at 31 December 2020
Property and equipment	(12,587)	(2,462)	-	-	(15,049)
Investment securities	(19,647)	344	-	(7,945)	(27,248)
Loans to customers	1,539	981	-	-	2,520
Loans and borrowings	4,928	4,006	(647)	-	8,287
Other liabilities	1,246	911	-	-	2,157
Other assets	(77)	77	-	-	-
Tax liabilities	**(24,598)**	**3,857**	**(647)**	**(7,945)**	**(29,333)**

15. Share Capital

Share capital

The authorized, issued and outstanding share capital comprises 190,700 shares of AMD 4,576,800 thousand (2020: 190,700). All shares have a nominal value of AMD 24,000 (2020: AMD 24,000).

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

Dividends

During 2021 the company didn't declare any dividends (during 2020 the Company declared dividends of AMD 13,801 thousand).

Reserves

The Company established a reserve capital target at 15% of the share capital for covering future losses and makes 5% transfers from the annual net profit each year until the amount reaches the mentioned target. The Company has made cumulative 10,000 thousand drams as at the end of 2021 (AMD 1,000 thousand as of the end of 2020).

16. Related party transactions

The Company sole shareholder with 100% shareholding is "Odenssnus AB" LTD (registered on 6 May 2013 in Kingdom of Sweden). The latter is a subsidiary entity of "Giviton AB" LTD (registered in Kingdom of Sweden), which 100% shares are owned by a person, Gevorg Nalbandyan.

Below are the transactions with related parties:

Nature of relationship	Transaction type	Balances as at 31.12.2021 AMD'000	Balances as at 31.12.2020 AMD'000
Ultimate controlling party	Provided borrowing	-	183,198
Entity under common control	Provided borrowing	1,252,455	612,220
Company management	Provided borrowing	129,099	128,081
Parent entity	Received borrowing	951,514	733,293

Nature of relationship	Transaction type	2021 AMD'000	2020 AMD'000
Ultimate controlling party	Finance income	6,773	7,541
Entity under common control	Finance income	83,693	59,963
Company management	Finance income	12,176	8,123
Parent entity	Finance cost	(32,528)	(21,747)

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The costs related to remuneration of key management personnel are presented below.

	2021 AMD'000	2020 AMD'000
Salary, other compensations	73,551	67,408

17. Contingent Liabilities

As of 31 December 2021, the Company had no liabilities related to capital expenditures.

As of 31 December 2021, the Company has provided no guarantees regarding repayment of liabilities of any party.

As of 31 December 2021, there were no significant legal actions against the Company.

18. Events after the reporting date

On February 24, 2022, Russia launched a large-scale military operations against Ukraine. In order to resist Russia, the EU and the United States, and other countries around the world, have imposed economic and political sanctions, as a result of which the Russian economy is facing significant issues. At present, the course of the military operations, the impact of sanctions, and the extent of the consequences are unpredictable.
Taking into consideration of Russia's political and economic influence on the Armenian economy and investment field, as well as the fact that Armenia is a member of the Russia lead Eurasian Economic Union (EEU), the current situation may indirectly affect the stability of Armenia's financial and economic systems.
Given the unpredictability of these circumstances and their impact, at the moment, the Company finds it difficult to assess the impact of the latter on the results of the Company's future activities, financial condition, and liquidity.

19. Accounting policies

Interest income and expense

Interest income is recognized on an accrual basis using the effective interest method on the gross amount of the financial asset, except for assets that have been impaired at the time of acquisition or impaired due to significant credit risk impairment.

Interest expense is recognized on an accrual basis using the effective interest method over the amortized cost of the financial liability.

The effective interest method is the method of calculating the amortized cost of a financial asset or financial liability (or group of financial assets and liabilities) and distributing interest income and expense over the appropriate period. The effective interest rate is the rate at which the future cash payments or receivables estimated at the estimated useful life of the financial instrument or, where applicable, for a shorter period of time are deducted exactly up to the carrying amount of the financial asset or financial liability.

Transaction costs include the additional costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Foreign currency transactions

Transactions entered into by the Company in a currency other than its functional currency are recorded at the rates established by RA Central bank at the date when the transactions occur. Foreign currency financial assets and liabilities are reflected at the rate established by RA Central bank at the reporting date. Exchange differences arising on the remeasurement of financial assets and liabilities are recognized immediately in profit or loss.

Assessment of business model

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated,
- 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,
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity

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

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

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

Financial Instruments

The Company recognizes a financial asset and liability in the statement of financial position when it becomes a contractual party to the financial instrument.

The initial measurement of a financial asset or liability is made at fair value. In the case of financial assets or liabilities that are not classified in the group of financial instruments measured at fair value through profit or loss, the transaction costs that are directly attributable to the acquisition or issuance of a financial asset or liability are added (or removed) to fair value. Transaction costs that are directly attributable to acquisition of financial assets or financial liabilities measured “at fair value through profit or loss” are immediately recognized in profit or loss.

Financial assets
Financial assets are classified in the following categories:
(a) financial assets measured at fair value through profit or loss (FVTPL);
(b) financial assets measured at fair value through other comprehensive income (FVOCI);
c) financial assets measured at amortized cost.
The classification depends on the nature of the cash flows resulting from the financial assets and the business model, under which the asset is held and designated at the time of initial recognition.

a) Financial assets measured at fair value through profit or loss.
Financial asset is classified as "measured at fair value through profit or loss" if it is classified neither as measured at amortized cost (as described below) nor as measured at FVOCI (as described below).

b) measured "at fair value through other comprehensive income" (FVOCI)
A financial asset is classified as measured "at fair value through other comprehensive income" (FVOCI) if:

- It is held under a business model, which aims at collecting contractual cash flows and selling financial assets; and
- At initial recognition, it forms a part of the portfolio of certain financial instruments managed jointly by the Company and has a realistic possibility of short-term profit making; or
- Its contractual terms give rise to cash flows on the specified dates, which are solely interest payments on principal and outstanding principal.

c) measured "at amortized cost":
A financial asset is classified as measured "at amortized cost" if it complies with the following two conditions and has not been designated as measured at FVTPL:
● It is held under a business model, which aims at holding assets to collect contractual cash flows;
● Its contractual terms give rise to cash flows on the specified dates, which are solely interest payments on principal and outstanding principal.

The Company's principal financial assets are classified as "measured at amortized cost". The accounting policy for this class is presented below.

Financial assets measured at amortized cost
These assets arise from loans and borrowings to customers, as well as from goods and services (e.g trade receivables). These assets are held to collect contractual cash flows. Contractual cash flows are payments of principal and interest. These assets are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition or issue, and are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

The Company's financial assets measured at amortized cost in the statement of financial position comprise deposits in banks, cash and cash equivalents, and lending provided to customers. Cash and cash equivalents include cash, on-demand deposits in banks.

Impairment

Financial assets being a debt instrument and not classified as measured at amortized cost are subject to impairment testing using the expected debt loss model. According to this model, a debt loss provision shall be recognized in the amount of expected credit loss (ECL) for 12 months after the reporting date. However, if the instrument's credit risk has significantly increased since its initial recognition, the provision should be recognized in the amount of ECL for the whole life of the instrument.
12-month ECL 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.

Measurement of ECL
ECL is a probability-weighted estimate of credit losses. It is measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows,

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Presentation of allowance for ECL in the financial statement

Loss allowances for ECL of financial assets measured at amortised cost us deducted from the gross carrying amount of the assets and presented in net basis in the statement of financial position.

Write off of loans

Loans and debt securities are written off (in whole or in part) when there is no realistic prospect of repaying them. Withdrawals are usually made when the Company determines that the borrower does not have assets or sources of income from which it can receive sufficient cash flows to repay the amounts to be written off.

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. The Company should reclassify financial assets if the Company changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the Company's senior management as a result of external or internal changes and must be significant to the Company's operations and demonstrable to external parties.

The financial liabilities are not reclassified after the initial recognition.

Derecognition of financial assets

The Company derecognises financial assets when the contractual rights with respect to cash flows resulting from the financial asset become void, or when these rights are transferred to a third party. If the Company substantially neither transfers nor retains all the risks and returns related to ownership of the financial asset, but retains control over the transferred asset, the Company continues to recognize the financial asset, as well as its associated liability to the extent that its involvement in the financial asset is kept. If the Company substantially retains all the risks and returns related to ownership of the financial asset, the Company shall continue to recognize the financial asset, as well as the borrowing pledged as collateral for the received return.

Financial liabilities

The Company classifies its financial liabilities as measured at amortized costs.

Bank and other borrowings, which are initially recognized at fair value less costs attributable to transaction.
Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest payable while the liability is outstanding.

Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.
The Company's ordinary shares are classified as equity instruments.

Dividends

The Company's ability to declare and pay dividends are regulated by the Republic of Armenia.

Deferred taxation

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill,
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and
- Investments in subsidiaries and jointly controlled entities where the Company is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the temporary difference can be utilized.

The amount of the deferred asset or liability is determined using tax rates that are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Annex A. Fair Value measurement disclosures

The following table sets out the valuation techniques used in the determination of fair values including the key unobservable inputs used and the relationship between unobservable inputs to fair value.

	Fair value AMD'000	Valuation technique	Fair value hierarchy level	Significant unobservable inputs
Loans to customers	5,088,383	The fair value of loans is estimated by discounting the future contractual cash flows at the current market interest rates.	Level 2	Discount rate of 19-22%
Liabilities under repurchase agreements	497,270	The fair value of Liabilities under repurchase agreements is estimated by discounting the future contractual cash flows at the current market interest rates.	Level 2	Discount rate of 3%-4%
Borrowings	951,514	The fair value of loans and borrowings is estimated by discounting the future contractual cash flows at the current market interest rates.	Level 2	Discount rate of 2,5%-5%