

“MOGO” Universal Credit Organization LLC
Financial statements
and Independent Auditor’s Report
For the year ended 31 December 2024

May 2025
Yerevan

Disclaimer

The attached report was originally prepared in Armenian and then translated into English for the convenience of readers. In the event of any differences between the English and Armenian versions, the Armenian will prevail.

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Legal form:	Universal Credit Organization Limited Liability Company
Principal activities:	Providing car loans
Executive Director:	Khachik Nerkararyan

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of "Mogo" Universal Credit Organization Limited Liability Company

Opinion

We have audited the financial statements of "Mogo" Universal Credit Organization LLC ("the Organization"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit and loss and other comprehensive income, the 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 Organization as of 31 December 2024, and its financial performance and its cash flows for the year ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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 the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, 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 Organization'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 Organization or to cease operation or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 a high level of assurance but is not a guaranty that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 Organization'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 Organization'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 Organization 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.

02 June 2025

"BDO Armenia" CJSC



Vahagn Sahakyan, FCCA

Managing Partner



Davit Yedigaryan, FCCA

Engagement Partner

"MOGO" Universal Credit Organization LLC
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2024

	Note	2024 AMD'000	2023 AMD'000
Interest income	5	3,289,036	2,639,708
Interest expense	6	(218,506)	(281,816)
Net interest income		3,070,530	2,357,892
Net commission expenses	7	(100,799)	(82,638)
Net impairment income	8	218,485	72,072
Peer-to-peer platform services		(15,963)	(6,648)
Selling expense	9	(75,748)	(76,472)
Administrative expenses	10	(1,368,470)	(1,239,100)
Other operating income		5,221	2,221
Other operating expenses	11	(102,708)	(117,502)
Net gain/(loss) from foreign currency transactions		141,175	(114,714)
Profit before tax		1,771,723	795,111
Current income tax expense	12	(336,854)	(26,771)
Deferred income tax expense	12	(4,158)	(181,972)
Profit for the year		1,430,711	586,368
Other comprehensive income		-	-
Total comprehensive income for the year		1,430,711	586,368

The financial statements from pages 6 to 45 were approved by the Management of the Organization on 30 May 2025 and signed by:

Executive Director
Khachik Nerkararyan



Chief Accountant
Gayane Malkhasyan

"MOGO" Universal Credit Organization LLC
Statement of financial position
As at 31 December 2024

	Note	31.12.2024 AMD'000	31.12.2023 AMD'000
Non-current assets			
Intangible assets			
Internally generated intangible assets		57,183	36,529
Other intangible assets		26,675	27,900
Total intangible assets		<u>83,858</u>	<u>64,429</u>
Tangible assets			
Right-of-use assets	13	145,906	55,286
Property, plant and equipment		43,067	11,884
Leasehold improvements		6,795	-
Total tangible assets		<u>195,768</u>	<u>67,170</u>
Non-current financial assets			
Loans to customers	14	5,217,771	4,601,621
Total non-current financial assets		<u>5,217,771</u>	<u>4,601,621</u>
Total non-current assets		<u>5,497,397</u>	<u>4,733,220</u>
Current assets			
Trade receivables and other current assets			
Loans to customers	14	1,823,348	1,309,311
Current assets held for sale	15	85,559	53,812
Advance payments made		52,416	62,254
Other financial assets	16	123,715	46,015
Total trade receivables and other current assets		<u>2,085,038</u>	<u>1,471,392</u>
Cash and cash equivalents	17	450,562	58,909
Total current assets		<u>2,535,600</u>	<u>1,530,301</u>
Total assets		<u>8,032,997</u>	<u>6,263,521</u>
Equity			
Share capital	20	2,670,000	2,670,000
Retained earnings		2,272,303	841,592
Total equity		<u>4,942,303</u>	<u>3,511,592</u>
Non-current liabilities			
Loans from banks and financial institutions	18	1,443,228	1,199,762
Lease liabilities	13	99,870	28,725
Total non-current liabilities		<u>1,543,098</u>	<u>1,228,487</u>
Current liabilities			
Loans from banks and financial institutions	18	817,284	1,103,760
Lease liabilities	13	56,231	33,097
Advance payments from customers		6,186	6,186
Trade payables		15,088	7,810
Other liabilities to related parties		5,447	3,309
Income tax liability	12	328,762	26,771
Other tax liabilities		33,113	27,177
Deferred tax liability	12	58,234	54,076
Other liabilities		1,852	63,766
Accrued liabilities	19	225,399	197,490
Total current liabilities		<u>1,547,596</u>	<u>1,523,442</u>
Total liabilities		<u>3,090,694</u>	<u>2,751,929</u>
Total liabilities and equity		<u>8,032,997</u>	<u>6,263,521</u>

"MOGO" Universal Credit Organization LLC
Statement of cash flows
For the year ended 31 December 2024

	Notes	2024 AMD'000	2023 AMD'000
Cash flows from operating activities			
Interest receipts		3,287,713	2,642,416
Interest payments		(34,003)	(120,798)
Fee and commissions paid		(27,300)	(15,539)
Administrative and other operating expenses paid		(1,078,361)	(1,016,142)
Personnel expenses paid and related taxes		(535,857)	(513,064)
Other income		63,125	83,428
Cash flows from operating activities before changes in operating assets and liabilities		<u>1,675,317</u>	<u>1,060,301</u>
(Increase)/decrease in operating assets			
Loans to customers		(910,378)	(539,203)
Receivables from loan collection		(8,242)	(19,575)
Other assets		(27,025)	(23,026)
Increase/(decrease) in operating liabilities			
Other liabilities		(84,563)	130,724
Net cash provided from/ (used in) operating activities before income tax paid		<u>645,109</u>	<u>609,221</u>
Income tax paid		(34,862)	-
Net cash from operating activities		<u>610,247</u>	<u>609,221</u>
Cash flows from investing activities			
Purchase of property, equipment, and intangible assets		(101,502)	(78,859)
Net cash flows used in investing activities		<u>(101,502)</u>	<u>(78,859)</u>
Cash flows from financing activities			
Proceeds from loans received	18	1,226,139	1,695,687
Repayment of loans received	18	(1,276,520)	(2,580,718)
Attraction of share capital		-	420,000
Payment of lease liabilities	13	(51,123)	(49,552)
Net cash flows used in financing activities		<u>(101,504)</u>	<u>(514,583)</u>
Net increase in cash and cash equivalents		<u>407,241</u>	<u>15,779</u>
Effect of changes in exchange rates on cash and cash equivalents		(15,588)	(8,199)
Cash and cash equivalents as at the beginning of the year		58,909	51,329
Cash and cash equivalents as at the end of the year	17	<u>450,562</u>	<u>58,909</u>

"MOGO" Universal Credit Organization LLC
Statement of changes in equity
For the year ended 31 December 2024

	Share capital	Retained earnings	Total
	AMD'000	AMD'000	AMD'000
Balance as at 1 January 2023	2,250,000	255,224	2,505,224
Total comprehensive income			
Profit for the year	-	586,368	586,368
Total comprehensive income for the year	-	586,368	586,368
Attraction of share capital	420,000	-	420,000
Total transactions with owners	420,000	-	420,000
Balance as at 31 December 2023	2,670,000	841,592	3,511,592
Balance as at 1 January 2024	2,670,000	841,592	3,511,592
Total comprehensive income			
Profit for the year	-	1,430,711	1,430,711
Total comprehensive income for the year	-	1,430,711	1,430,711
Balance as at 31 December 2024	2,670,000	2,272,303	4,942,303

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1. About the Organization

"MOGO" Universal Credit Organization LLC (the "Organization") was established in 2017 under the laws of the Republic of Armenia.

The Organization's principal activities are providing quick and convergent services for individuals in Armenia offering loans for vehicle pledges and for vehicle purchases.

The activities of the Organization are regulated by the Central Bank of Armenia (CBA). The Organization operates under a universal credit organization license N 42 issued by the CBA on 23 June 2017.

The Organization's registered head office is 18/2 Vardanants Street, offices 4, 5 and 6, Yerevan 0010, Republic of Armenia.

The Organization conducts its operations through 7 (2023: 6) branches in the regions of Armenia.

The sole shareholder of the Organization is "Eleving Vehicle Finance" company, which is a subsidiary of the "Eleving Group Luxembourg" company.

Related party transactions are described in detail in Note 21.

The average number of employees during the year was 73 (2023: 70).

Armenian business environment

The Organization's operations are located in Armenia. Consequently, the Organization is exposed to the economic and financial markets of Armenia which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Armenia.

In February 2022, due to the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The conflict continues to affect not only the economic activity of both countries, but also the global economy. As a result of the sanctions, commodity prices have risen in many countries of the world, established links between resource supplies have been disrupted, inflation is also affecting prices, and analysts are also predicting economic consequences for global industry.

The level of business activity in the Russian Federation also has a significant impact on the economic environment of the Republic of Armenia, as there are significant flows of funds from the Russian Federation to the Republic of Armenia. Therefore, the political tension in the region, international sanctions, stock market instability, acute inflation and other risks the Russian Federation is facing may have a negative impact on the RA economy.

Armenian economy has successfully resisted existing global turbulences and managed to register impressive macroeconomic indicators both in 2024 and 2023, mainly due to tourism, reallocation of number of companies into Armenia and significant increase of remittances. All the mentioned factors have resulted in 5,9% increase in GDP during the period of January-December 2024. The government's 2021-2026 economic program seeks to advance an export-oriented and investment-driven growth model through a broad-based reform effort.

Such an operating environment has a significant impact on the Organization's operations and financial position. The Company takes the necessary measures to ensure the stability of the Organization's activity, however, due to the unpredictability of the development of events, the Management does not have the opportunity to make a reliable assessment of what effect such circumstances will have on the Organization's financial position in the following years.

The future effects of the current economic situation and the actions to be taken by the Government are difficult to predict, and the Organization's management's current expectations and estimates may differ from actual results.

2. Basis of preparation

The financial statements have been prepared in accordance with the requirements of IFRS Accounting Standards issued by the International Accounting Standards Board.

The principal accounting policies adopted in the preparation of the financial statements are set out in Note 24. 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 Organization'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 a historical cost basis.

Changes in accounting policies

a) New standards, interpretations and amendments effective from 1 January 2024

- *Supplier Finance Arrangements (Amendment to IAS 7 and IFRS 7)*
- *Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)*
- *Classification of Liabilities as Current or Non-Current (Amendment to IAS 1)*
- *Non-current Liabilities with Covenants (Amendment to IAS 1).*

(b) Standards, interpretations and amendments, issued but not yet effective

There are a number of standards, amendments to standards and interpretations issued by the IASB that are effective for future reporting periods, which the Organization has elected not to adopt early.

The following amendments are effective for annual periods beginning on or after 1 January 2025:

- *Lack of Exchangeability (Amendment to IAS 21)*
- *Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)*
- *Annual Improvements to IFRS Accounting Standards*
- *Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)*
- *IFRS 18 Presentation and Disclosure in Financial Statements*
- *IFRS 19 Subsidiaries without Public Accountability: Disclosure.*

The Organization is currently assessing the impact of these new accounting standards and amendments. The Organization does not expect the amendments to have a material impact on its financial statements. The Organization does not expect any other standards issued by the IASB, but are yet to be effective, to have a material impact on the Organization.

3. Critical accounting estimates and judgments

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

- *classification of financial assets.* assessment of the business model, under which the assets are held, and assessment of the contractual provisions to determine whether the cash flows arising at certain dates are only payments of principal and interest calculated on the outstanding principal;

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- *impairment of financial instruments.* establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition and selection and approval of models used to measure ECL.

Fair value measurement

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

The fair value measurement of the Organization'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 which 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 Organization is exposed through its operations to the following financial risks:

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

In common with all other businesses, the Organization is exposed to risks that arise from its use of financial instruments. This note describes the Organization'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.

The risk management policies aim to identify, analyze and manage the risks faced by the Organization, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practices.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management is responsible for monitoring and implementation of risk mitigation measures and making sure that the Organization operates within the established risk parameters.

Both external and internal risk factors are identified and managed throughout the Organization. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

In compliance with the Organization's internal documentation, the Management Committee and internal audit function frequently prepare reports, which cover the Organization's significant risks management. The reports include observations as to the assessment of the effectiveness of the Organization's procedures and methodologies and recommendations for improvement.

There have been no substantive changes in the Organization'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

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

- Loans to customers
- Cash and cash equivalents
- Other financial assets
- Loans from banks and other financial institutions
- Lease liability
- Other liabilities.

(b) Financial instruments by category

Financial assets measured at amortized cost

	2024 AMD'000	2023 AMD'000
Loans to customers	7,041,119	5,910,933
Cash and cash equivalents	450,562	58,908
Other financial assets	123,715	46,015
	<u>7,615,396</u>	<u>6,015,856</u>

Financial liabilities measured at amortized cost

	2024 AMD'000	2023 AMD'000
Loans from banks and financial institutions	2,260,512	2,303,524
Other liabilities	253,972	241,307
	<u>2,514,484</u>	<u>2,544,831</u>

(c) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, loans to customers, liabilities to banks and other financial organizations, and other liabilities.

For assets and liabilities with a maturity of one month, the carrying amount approximates the fair value because the maturities of these financial instruments are quite short.

Fair value hierarchy and valuation methods are presented in Note 25.

Credit risk

Credit risk is the risk of financial loss to the Organization if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Organization has policies and procedures in place to manage credit exposures (both for recognized financial assets and unrecognized contractual commitments). The credit policy is reviewed and approved by the Management.

The credit policy establishes:

- procedures for reviewing and approving loan credit applications
- methodology for the credit assessment of borrowers
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the statement of financial position and unrecognized contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

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Collateral generally is not held against balances with banks. For the analysis of collateral held against loans to customers refer to Note 14.

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

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 24.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Organization considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Organization's historical experience. The Organization concludes that there is a significant risk in credit risk of the assets when payments related to that assets are past due for more than 30 days.

Generating the term structure of PD

Overdue days are the primary input into the determination of the term structure of PD exposures in Markov's model of migration matrices. Migration matrices are constructed using historical data over the past 12 months for vehicle portfolios.

Determining whether credit risk has increased significantly

The Organization assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower.

As a backstop, the Organization considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due because the estimated PD increased significantly.

Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument return to being measured as a minimum of 12-month and lifetime ECL. When contractual terms of a loan have been modified, evidence that the criteria for recognizing lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

Definition of default

The Organization considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Organization in full, without recourse by the Organization to actions such as realizing security (if any is held);
- the borrower is past due more than 60 days on any material credit obligation to the Organization.
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Organization considers indicators that are:

- qualitative,
- quantitative; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

Considering that for the determination of PD only statistical data for 2024 was used, no forward-looking information is incorporated into the ECL calculation by the Organization.

As at 31 December 2024 the Organization did not expect significant changes in the macroeconomic environment in 2024, as compared to 2023.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 for the retail portfolio is calculated by multiplying the PD by LGD and EAD. The methodology of estimating PDs is discussed above under the heading “Generating the term structure of PD”.

The Organization estimates LGD parameters based on the history of recovery rates of claims against defaulted loans. The LGD models are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Organization derives the EAD from the current exposure to the customer and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Organization measures ECL considering the risk of default over the expected contractual period including any borrower’s extension options over which it is exposed to credit risk, even if, for credit risk management purposes, the Organization considers a longer period.

Common objectives, policies and processes

The Organization’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 Organization’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 affection of collateral.

Concentrations of credit risk

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognized contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows.

As at 31 December 2024 the Organization has no debtors or groups of connected debtors (as at 31 December 2023: none), credit risk exposure to whom exceeded 10 percent of maximum credit risk exposure.

Geographic concentration

The geographical concentration of the Organization's assets and liabilities is limited to the territory of the Republic of Armenia.

Economy sectors

As of 31 December 2024 and 2023 the Organization's assets exposed to credit risk are concentrated in retail

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loan provision.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk, and other price risks. Market risk arises from open positions in the interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the return on 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 Organization 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 reduce or create losses in the event that unexpected movements occur.

Average effective interest rate

The table below shows the average effective interest rates for the Organization's interest-bearing assets and liabilities as of 31 December 2024 and 2023. These interest rates represent the approximate return on assets and liabilities at maturity:

	31.12.2024		31.12.2023	
	average effective interest rate		average effective interest rate	
	AMD	EUR	AMD	EUR
Interest-bearing assets				
Loans to customers	52.64	-	47.0	-
Interest-bearing liabilities				
Secured loans from local banks	13.5	7.0	14.0	7.5
An unsecured loan from a shareholder	-	12.34	-	12.0
Secured loans from other financial organizations	-	10.5	-	11.4

Foreign exchange risk

The Organization has liabilities denominated in EUR.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

Foreign exchange risk arises when the Organization enters transactions denominated in a currency other than its functional currency.

The following table shows the foreign currency exposure structure of financial liabilities denominated in the EUR as of 31 December:

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	2024 EUR AMD'000	2023 EUR AMD'000
ASSETS		
Cash and cash equivalents	265,434	15,198
Other assets	70,037	8,407
Total assets	335,471	23,605
LIABILITIES		
Loans from banks and financial organizations	(2,111,269)	(1,677,889)
Other liabilities	(52,618)	(118,714)
Total liabilities	(2,163,887)	(1,796,603)
Net position	(1,828,416)	(1,772,998)

A weakening of the AMD, as indicated below, against the EUR at 31 December 2024 and 2023, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is before taxes and is based on foreign currency exchange rate variances that the Organization considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant:

	2024 AMD'000	2023 AMD'000
10% appreciation of EUR against AMD	(182,574)	(171,130)

A strengthening of the AMD against the EUR at 31 December 2024 and 2023 would have had the equal but opposite effect to the amounts shown above, based on the assumption that all other variables remained constant.

Liquidity risk

Liquidity risk is the risk that the Organization will encounter difficulty meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The Organization maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management.

The Organization seeks to actively support a diversified and stable funding base comprising long- and short-term loans and borrowings from financial institutions.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring liquidity ratios against regulatory requirements.

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related

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commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The contractual maturity analysis for financial liabilities as at 31 December 2024 is as follows:

	Carrying value	On demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Assets						
Loans to customers	7,041,119	-	6,538,162	5,984,784	333,129	12,856,075
Cash and cash equivalents	450,562	450,562	-	-	-	450,562
Other financial assets	123,715	123,715	-	-	-	123,715
Total financial assets	7,615,396	574,277	6,538,162	5,984,784	333,129	13,430,352
Liabilities						
Loans from banks and financial institutions (excluding those from related parties)	(827,514)	-	(622,178)	(210,383)	(4,637)	(837,198)
Loans and borrowings from related parties	(1,589,099)	-	(1,589,099)	-	-	(1,589,099)
Other financial liabilities	(253,972)	-	(253,972)	-	-	(253,972)
Total financial liabilities	(2,670,585)	-	(2,465,249)	(210,383)	(4,637)	(2,680,269)
Net position	4,944,811	574,277	4,072,913	5,774,401	328,492	10,750,083

The table below shows an analysis, by contractual maturities, of the amounts recognized in the statement of financial position as at 31 December 2023:

	Carrying value	On demand	Up to 1 year	1 to 5 years	More than 5 years	Total
Assets						
Loans to customers	5,910,932	-	6,829,742	5,926,805	294,349	13,050,896
Cash and cash equivalents	58,909	58,909	-	-	-	58,909
Other financial assets	46,015	46,015				46,015
Total financial assets	6,015,856	104,924	6,829,742	5,926,805	294,349	13,155,820
Liabilities						
Loans from banks and financial institutions	(2,365,344)	-	(986,264)	(359,028)	(8,622)	(1,353,914)
Other financial liabilities	(272,375)	-	(272,375)	-	-	(272,375)
Total financial liabilities	(2,637,719)	-	(1,258,639)	(359,028)	(8,622)	(1,626,289)
Net position	3,378,137	104,924	5,571,103	5,567,777	285,727	11,529,531

Capital management

The Organization defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBA, credit organizations have to maintain a minimum share capital of AMD 150,000 thousand (2023: AMD 150,000 thousand) and total capital of AMD 150,000 thousand (2023: AMD 150,000 thousand). The Organization is in compliance with the minimum share capital and total capital requirements as at 31 December 2024 and 2023.

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5. Interest income

	2024	2023
	AMD'000	AMD'000
Interest income from loans to customers	3,289,036	2,639,708
	3,289,036	2,639,708

Interest income is calculated using the effective interest method.

6. Interest expense

Interest expense is calculated using the effective interest method on financial liabilities measured at amortized cost.

	2024	2023
	AMD'000	AMD'000
From loans received from banks and related parties	134,076	207,784
From loans received from other non-resident organizations	65,356	64,999
From lease liabilities	19,074	9,033
	218,506	281,816

7. Net commission expenses

	2024	2023
	AMD'000	AMD'000
Commission (income)	(61,354)	(62,355)
	(61,354)	(62,355)
Net (revenue) from debt collection	(15,365)	(18,073)
Net expenses from debt collection	177,518	163,066
	162,153	144,993
	100,799	82,638

8. Net impairment income

	2024	2023
	AMD'000	AMD'000
Change in impairment for repossessed cars	470,695	177,076
Written off debts	(252,210)	(105,004)
	218,485	72,072

9. Selling expense

	2024	2023
	AMD'000	AMD'000
Online marketing expenses	31,781	45,168
Advertising	14,251	14,666
Radio advertising	80	290
Other marketing expenses	24,987	15,820
Total marketing expenses	71,099	75,944
Other selling expenses	4,649	528
Total selling expenses	75,748	76,472

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10. Administrative expense

	2024 AMD'000	2023 AMD'000
Employees' salaries	521,417	503,090
Management fee	454,688	411,179
Depreciation and amortization	88,749	38,117
Professional services	65,621	37,654
IT services	65,497	63,316
Office and branches' maintenance expenses	44,397	49,980
Credit database expenses	28,680	28,930
Communication expenses	27,374	26,246
Transportation expenses	10,401	9,307
Bank commissions	9,261	8,556
Other administration expenses	52,385	62,725
	1,368,470	1,239,100

11. Other operating expenses

	2024 AMD'000	2023 AMD'000
Non-refundable VAT on management fees	89,304	84,206
(Income)/expense from the reversal of accrued tax expenses	(4,823)	13,293
Other operating expenses	18,227	20,003
	102,708	117,502

12. Income tax expense

	2024 AMD'000	2023 AMD'000
Current tax	336,854	26,771
Deferred tax	4,158	181,972
Total tax expense	341,012	208,743

The income tax rate for the current year was 18% as per RA Tax Code (2023: 18%). The current year income tax was calculated using 18% rate, and the deferred tax was calculated using 18% rate as well.

Effective interest rate reconciliation

	2024		2023	
	AMD'000	%	AMD'000	%
Profit before tax	1,771,723		795,111	
Profit tax	318,910	18%	143,120	18%
Non-deductible expenses, net	22,102	1.2%	127,763	16.1%
Change in unrecognized temporary differences and tax loss carry-forward	-	-	(62,140)	-7.8%
Income tax expense	341,012	19.2%	208,743	26.3%

Details of deferred tax asset/(liabilities), amounts recognized in profit or loss and amounts recognized in equity are provided below:

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	1 January 2024	Recognized in profit or loss	31 December 2024
AMD'000			
Property, plant and equipment and intangible assets	-	547	547
Current assets	-	790	790
Loans to customers	(70,796)	(13,085)	(83,881)
Other liabilities	16,720	7,590	24,310
Total deferred tax liability	(54,076)	(4,158)	(58,234)

	1 January 2023	Recognized in profit or loss	31 December 2023
AMD'000			
Loans to customers	(118,791)	47,995	(70,796)
Other liabilities	10,831	5,889	16,720
Tax-loss carry forward	235,856	(235,856)	-
Total deferred tax asset/(liability)	127,896	(181,972)	(54,076)

13. Right-of-use assets and lease liabilities

The Organization has leases for the head office and branch office premises. Each lease is recognised in the statement of financial position as a right-of-use asset and a lease liability.

Leases of property typically have a lease term of 3-5 years. Lease payments are generally fixed. Some leases contain an option to extend the lease for a specified period.

The weighted average interest rate applied to lease liabilities recognised in accordance with IFRS 16 in 2024 was approximately 13% (2023: 12%).

The movements in right-of-use assets and lease liabilities during the reporting period are presented below:

	Right-of-use asset	
	2024	2023
Cost	AMD'000	AMD'000
At 1 January	261,771	239,227
Additions	148,557	22,544
Deductions	(147,992)	-
At 31 December	262,336	261,771

Accumulated amortization

	2024	2023
	AMD'000	AMD'000
	(206,485)	(148,299)
Amortization charge	(54,795)	-
Write-off	144,850	(58,186)
At 31 December	(116,430)	(206,485)
Net carrying amount	55,286	90,928
Net carrying amount	145,906	55,286

	Lease liability	
	2024	2023
Cost	AMD'000	AMD'000
At 1 January	61,822	97,290

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Interest expense (Note 6)	19,074	9,033
Impact of modification	145,402	14,054
Rental payments	(70,197)	(58,555)
At 31 December	156,101	61,822
From which current	56,231	33,097

14. Loans to customers

	2024 AMD'000	2023 AMD'000
Vehicle loans	8,865,682	7,969,832
Payday loans	2,324,216	2,565,148
Total gross loans to customers at amortized cost	11,189,898	10,534,980
Credit loss allowance	(4,148,779)	(4,624,048)
Net loans to customers at amortized cost	7,041,119	5,910,932

	Non-current	Current	Non-current	Current
	31. 12. 2024	31. 12. 2024	31. 12. 2023	31. 12. 2023
Secured loans	5,336,054	2,999,901	4,696,633	2,780,522
Impairment of secured loans	(114,400)	(1,783,280)	(68,760)	(1,929,076)
Unsecured loans	-	2,324,216	-	2,565,148
Impairment of unsecured loans	-	(2,251,099)	-	(2,626,212)
Accrued interest and service charges	-	535,794	-	534,471
Net loan provision fees	(3,883)	(2,184)	(26,252)	(15,542)
	5,217,771	1,823,348	4,601,621	1,309,311
			31.12.2024	31.12.2023

Gross loans to customers

Non-current

Secured loans	5,336,054	4,696,633
Unsecured loans	-	-
Accrued interest and service fees	-	-

Current

Secured loans	2,999,901	2,780,522
Unsecured loans	2,324,216	2,565,148
Accrued interest and service fees for secured loans	494,404	489,985
Accrued interest and service fees for unsecured loans	41,390	44,486
	11,195,965	10,576,774

The tables below present information on the credit quality of loans granted to customers as of December 31, 2024 and 2023:

2024

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AMD'000	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Loans to customers secured by collateral				
- not overdue	6,428,828	50,884	2,801	6,482,513
- up to 35 days overdue	348,192	40,986	4,618	393,796
- more than 35 days and up to 60 days overdue	-	73,918	1,556	75,474
- more than 60 days overdue	-	-	1,878,576	1,878,576
	6,777,020	165,788	1,887,551	8,830,359
Loans to customers not secured by collateral				
- not overdue	-	-	-	-
- up to 35 days overdue	-	-	-	-
- more than 35 days and up to 60 days overdue	-	-	-	-
- more than 60 days overdue	-	-	2,365,606	2,365,606
	-	-	2,365,606	2,365,606
2023				
	Stage 1 AMD'000	Stage 2 AMD'000	Stage 3 AMD'000	Total AMD'000
Loans to customers secured by collateral				
- not overdue	5,584,171	53,267	14,655	5,652,093
- up to 35 days overdue	200,506	29,811	6,770	237,088
- more than 35 days and up to 60 days overdue	-	66,501	4,349	70,850
- more than 60 days overdue	-	-	2,007,109	2,007,109
	5,784,677	149,580	2,032,883	7,967,140
Loans to customers not secured by collateral				
- not overdue	-	-	-	-
- up to 35 days overdue	-	-	-	-
- more than 35 days and up to 60 days overdue	-	-	-	-
- more than 60 days overdue	-	-	2,609,634	2,609,634
	-	-	2,609,634	2,609,634

The tables below present a reconciliation of the opening and closing balances of loans to customers for the years ended December 31, 2024 and 2023:

2024			
Stage 1	Stage 2	Stage 3	Total

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AMD'000				
Loans to customers secured by collateral	5,784,677	149,580	2,032,882	7,967,139
Transfer to Stage 1	15,887	(15,887)	-	-
Transfer to Stage 2	(119,199)	119,199	-	-
Transfer to Stage 3	(226,611)	(51,457)	278,068	-
New financial assets originated	4,489,855	56,253	31,768	4,577,876
Reversed impairment for settled receivables	(2,814,297)	(69,584)	(135,644)	(3,019,525)
Reversed impairment for written off receivables	(6,829)	(5,922)	(209,799)	(222,550)
Net remeasurement of loss allowance	(346,462)	(16,395)	(109,726)	(472,583)
Balance as at 31 December 2024	<u>6,777,021</u>	<u>165,787</u>	<u>1,887,549</u>	<u>8,830,357</u>

	Stage 1	2023 Stage 2	Stage 3	Total
AMD'000				
Loans to customers secured by collateral	5,040,330	168,503	2,079,893	7,288,727
Transfer to Stage 1	35,443	33,383	2,060	-
Transfer to Stage 2	(122,138)	122,138	-	-
Transfer to Stage 3	(167,879)	53,741	(221,620)	-
New financial assets originated	3,554,838	31,637	26,249	3,612,724
Reversed impairment for settled receivables	(2,149,893)	(69,327)	(131,300)	(2,350,519)
Reversed impairment for written off receivables	(2,232)	(970)	(63,887)	(67,089)
Net remeasurement of loss allowance	(403,793)	(15,277)	(97,633)	(516,703)
Balance as at 31 December 2023	5,784,676	149,580	2,032,882	7,967,140

	2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers not secured by collateral			2,609,635	2,609,635
Balance at 1 January 2024	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated	-	-	-	-
Reversed impairment for settled receivables	-	-	(172,257)	(172,257)
Reversed impairment for written off receivables	-	-	(29,660)	(29,660)
Net remeasurement of loss allowance	-	-	(42,111)	(42,111)
Balance as at 31 December 2024	-	-	<u>2,365,607</u>	<u>2,365,607</u>

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	2023			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers not secured by collateral				
Balance at 1 January 2023	830	62	2,876,177	2,877,068
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(393)	(62)	454	-
New financial assets originated	-	-	-	-
Reversed impairment for settled receivables	(419)	-	(172,508)	(172,927)
Reversed impairment for written off receivables	(18)	-	(37,897)	(37,916)
Net remeasurement of loss allowance	-	-	(56,591)	(56,591)
Balance as at 31 December 2023	<u>-</u>	<u>-</u>	<u>2,609,635</u>	<u>2,609,634</u>

The following tables show reconciliations from the opening to the closing balances of the loss allowance for loans to customers for the year ended 31 December 2024:

AMD'000

	2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers secured by collateral				
Balance at 1 January 2024	46,964	27,775	1,923,097	1,997,836
Transfer to Stage 1	1,539	(1,539)		
Transfer to Stage 2	(1,685)	1,685		
Transfer to Stage 3	(3,402)	(10,767)	14,169	
New financial assets originated	48,646	11,880	16,712	77,238
Reversed impairment for settled receivables	(19,181)	(11,439)	(106,888)	(137,508)
Reversed impairment for written off receivables	(3,015)	(3,064)	(206,158)	(212,236)
Net remeasurement of loss allowance	12,493	26,973	132,883	172,349
Balance as at 31 December 2024	<u>82,359</u>	<u>41,505</u>	<u>1,773,815</u>	<u>1,897,679</u>

AMD'000

	2023			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers secured by collateral				
Balance at 1 January 2023	74,300	36,785	1,887,184	1,998,268
Transfer to Stage 1	6,687	(5,596)	(1,902)	-
Transfer to Stage 2	(2,120)	2,120	-	-
Transfer to Stage 3	(4,793)	(13,344)	18,138	-
New financial assets originated	26,402	6,404	14,445	47,251
Reversed impairment for settled receivables	(31,087)	(14,886)	(99,125)	(145,098)
Reversed impairment for written off receivables	(625)	(505)	(58,505)	(59,634)
Net remeasurement of loss allowance	(21,800)	16,797	162,052	157,049
Balance as at 31 December 2023	<u>46,964</u>	<u>27,775</u>	<u>1,923,097</u>	<u>1,997,836</u>

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AMD'000	2024			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers not secured by collateral				
Balance at 1 January 2024	-	-	2,626,212	2,626,212
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
New financial assets originated	-	-	-	-
Reversed impairment for settled receivables	-	-	(173,576)	(173,576)
Reversed impairment for written off receivables	-	-	(28,341)	(28,341)
Net remeasurement of loss allowance	-	-	(173,196)	(173,196)
Balance as at 31 December 2024	-	-	2,251,099	2,251,099

AMD'000	2023			
	Stage 1	Stage 2	Stage 3	Total
Loans to customers not secured by collateral				
Balance at 1 January 2023	271	43	2,804,465	2,804,779
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(154)	(43)	197	-
New financial assets originated	-	-	-	-
Reversed impairment for settled receivables	(100)	-	(165,830)	(165,930)
Reversed impairment for written off receivables	(17)	-	(37,108)	(37,125)
Net remeasurement of loss allowance	-	-	24,488	24,488
Balance as at 31 December 2023	-	-	2,626,212	2,626,212

Collateral

Vehicle loans are secured by underlying vehicles. The Organization provides loans to customers of 80% to 100% of the assessed collateral value and creditworthiness analysis. As at 31 December 2024, the loans of the Organization were secured by vehicles with a total market value of AMD 15,514,900 thousand (2023: AMD 14,093,324 thousand).

Payday loans are not secured.

Significant credit exposures

As at 31 December 2024 the Organization has no borrowers or group of connected borrowers (31 December 2023: none), whose net loan balances exceed 10% of the Organization's equity.

Loan maturities

The maturity of the loan portfolio is presented in Note 3, which shows the remaining period from the reporting date to the contractual maturity of the loans.

Pledge

Loans to customers with a principal amount of AMD 420,000 thousand AMD were pledged to secure loans received from resident commercial banks (31.12.2023: 800,000 thousand AMD).

Loans to customers with a principal amount of AMD 1,490,004 thousand were pledged to secure loans received from non-resident financial institutions (31.12.2023: AMD 514,470 thousand).

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15. Current assets held for sale

	<u>31.12.2024</u>	<u>31.12.2023</u>
Reposessed vehicles	95,760	59,440
Impairment loss	<u>(10,201)</u>	<u>(5,628)</u>
	<u>85,559</u>	<u>53,812</u>

16. Other financial assets

	<u>31.12.2024</u>	<u>31.12.2023</u>
Amounts receivable from non-resident financial organizations	64,625	-
Amounts receivable from payment and settlement organizations in respect of loan repayments	53,968	45,726
Other receivables	<u>5,122</u>	<u>289</u>
	<u>123,715</u>	<u>46,015</u>

17. Cash and cash equivalents

	<u>31/12/2024</u>	<u>31/12/2023</u>
	AMD'000	AMD'000
Bank balances rated from BB- and BB+	<u>450,562</u>	<u>58,909</u>
Total cash in the statement of financial position	<u>450,562</u>	<u>58,909</u>

The Organization uses credit ratings per Standard & Poor's rating agency in disclosing the credit quality of cash and cash equivalents.

Cash and cash equivalents are fully in Stage 1 and measured at amortized cost as at 31 December 2024 and 2023. As of 31 December 2024, and 31 December 2023 the impairment of cash is not material considering high liquidity of assets.

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18. Loans from banks and financial organizations

Terms and repayment schedule

AMD'000			31 December 2024		31 December 2023	
	%	Year of maturity	Fair value	Carrying amount	Fair value	Carrying amount
<i>Non-current</i>						
Unsecured borrowing from shareholder	12-13%	28.07.26 20.12.27	1,234,498	1,234,498	888,038	888,038
Secured loans from non-resident financial organizations	6.5%-14.5%	31.12.27	208,731	208,731	311,724	311,724
Total non-current loans and borrowings			1,443,229	1,443,229	1,199,762	1,199,762
<i>Current</i>						
Secured loans from non-resident financial organizations	6.5%-14.5%	31.12.27	206,889	206,889	200,475	200,475
Loans from banks	7%-13%	27. 10. 25	253,473	253,473	623,950	623,950
Acquisition costs			(262)	(262)	-	-
Accrued interest on loans from related parties			354,602	354,602	273,459	273,459
Accrued interest on loans from non-resident financial organizations			1,372	1,372	1,923	1,923
Accrued interest on loans from resident banks			1,210	1,210	3,955	3,955
Total current loans and borrowings			817,284	817,284	1,103,762	1,103,762

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Reconciliation of movement of liabilities to cash flows arising from financing activities:

	Loans and borrowings 2024	Lease 2024	Total 2024
Balance at 1 January	2,303,522	61,822	2,365,344
Changes in cash flows from financing activity			
Proceeds from borrowings	1,226,139	-	1,226,139
Repayment of borrowings	(1,276,520)	-	(1,276,520)
Lease payments	-	(51,123)	(51,123)
Total changes in cash flows from financing activity	(50,381)	(51,123)	(101,504)
The effect of changes in foreign exchange rates	(177,132)	-	(177,132)
Other changes			
Liability-related changes			
Modification of lease	-	145,402	145,402
Interest expense (Note 6)	199,432	19,074	218,506
Interest paid	(14,929)	(19,074)	(34,003)
Total liability-related other changes	184,503	145,402	329,905
Balance at 31 December	2,260,512	156,101	2,416,613

	Loans and borrowings 2023	Lease 2023	Total 2023
Balance at 1 January	2,891,631	97,290	2,988,921
Changes in cash flows from financing activity			
Proceeds from borrowings	1,695,687	-	1,695,687
Repayment of borrowings	(2,580,718)	-	(2,580,718)
Lease payments	-	(49,552)	(49,552)
Total changes in cash flows from financing activity	(885,031)	(49,552)	(934,583)
The effect of changes in foreign exchange rates	135,904	-	135,904
Other changes			
Liability-related changes			
Modification of lease	-	14,084	14,084
Interest expense (Note 6)	272,783	9,033	281,481
Interest paid	(111,765)	(9,033)	(120,798)
Total liability-related other changes	161,018	14,084	174,767
Balance at 31 December	2,303,522	61,822	2,365,009

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19. Accrued liabilities

	31. 12. 2024	31. 12. 2023
	AMD'000	AMD'000
Provision for unused vacation days	76,624	75,055
Other salary-related liabilities	37,318	17,836
Other payables for services received	111,457	104,599
	<u>225,399</u>	<u>197,490</u>

20. Equity

Charter capital

The owners of charter capital are entitled to receive dividends as declared from time to time. In accordance with Armenian legislation, the Organization's distributable reserves are limited to the balance of retained earnings as recorded in the Organization's statutory financial statements prepared in accordance with IFRS.

As at 31 December 2024, the attracted charter capital of the Organization amounted to AMD 2,670,000 thousand (2023: AMD 2,670,000 thousand).

Dividends

No dividends were declared and paid during 2024 and 2023 periods. No dividends were declared after 31 December 2024 and up to the date these financial statements were authorized.

21. Transactions with related parties

100% of the organization's charter capital belongs to "ELEVING VEHICLE FINANCE". The ultimate parent organization is the Eleving Group Luxembourg. The ultimate parent organization publishes financial statements. The final controlling organization of the company is "ELEVING VEHICLE FINANCE".

Transactions with the members of the Board of Directors and the Management:

	2024	2023
	AMD'000	AMD'000
Short-term employee benefits	<u>55,011</u>	<u>77,068</u>

Other transactions with related parties:

	Net transaction value 2024	Outstanding balance 2024	Net transaction value 2023	Outstanding balance 2023
AMD'000				
Borrowings received				
Parent company	-	1,173,416	-	1,161,497
Other related	-	415,684		
Interest expense				
Parent company	102,520	-	102,553	-
Other related	14,927	-	-	-
Payables				
Group member firms (management fee and other services)	501,421	-	411,180	-

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22. Contingent Liabilities

Insurance

The insurance industry in the Republic of Armenia is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Organization does not have full coverage for its assets, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on Organization property or relating to Organization operations. Until the Organization obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Organization operations and financial position.

Litigations

In the ordinary course of business, the Organization is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial position or the results of future operations.

Taxation contingencies

The taxation system in Armenia is relatively new and is characterized 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.

Transfer pricing legislation enacted in the Republic of Armenia starting from 1 January 2020. The legislation is effective for the financial year 2020 and onwards. The local transfer pricing rules are closer to OECD guidelines, but with uncertainty in practical application of tax legislation in certain circumstances.

Transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

Transfer pricing rules apply to the transactions listed below, if the total amount of the controlled transaction exceeds AMD 200 million in the tax year:

- transactions between resident and non-resident related parties;
- cross-border transactions with companies registered in offshore zones, regardless of being related party or not;
- certain in-country transactions between related parties, as determined under the Armenian Tax Code.

Since there is no significant practice of applying the transfer pricing rules by the tax authorities and courts, it is difficult to predict the effect of the new transfer pricing rules on these financial statements.

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.

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23. Events after the reporting period

After the reporting period, there have been no cases and events that require adjustment or disclosure in the financial statements.

24. Accounting policies

Recognition of income and expenses

Income is recognized to the extent that it is probable that the economic benefits will flow to the Organization and the income can be reliably measured. Expense is recognized to the extent that it is probable that the economic benefits will flow from the Organization and the expense can be reliably measured.

The following specific criteria must also be met before income is recognized.

The effective interest rate method

Interest income and expense are recognized 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 amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Organization estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

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 'amortized 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 amortization 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' measured at amortized cost is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. 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 amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

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 amortized cost of the

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financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortized cost.

Interest expense presented in the statement of profit or loss and other comprehensive income includes financial liabilities measured at amortized cost.

Income and expense on fee and commission

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 3(c)).

Other fee and commission expenses relate mainly to bank commission and service fees, which are expensed as the services are received, and to the car dealership commission expenses.

Net conversion loss

The net conversion loss also includes the net income or expense from foreign currency purchases and sales and is recognized in profit or loss when the related service has been rendered.

Foreign currency

Transactions in foreign currencies are translated to the AMD at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost in are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit or loss

In the Organization's financial statements, all assets, liabilities and transactions of Organization entities with a functional currency other than the AMD (the Organization's presentation currency) are translated into AMD.

The exchange rates used by the Organization in the preparation of the financial statements are as follows:

	<u>31 December 2024</u>	<u>31 December 2023</u>
AMD/1 EUR	413.89	447.90

Taxation

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

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Current tax

Current tax expense is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan of the Organization. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Organization expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority.

Financial instruments

Financial assets and financial liabilities

Classification

Financial assets

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

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

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

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

- the asset is held within a business model whose objective is 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.

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All other financial assets are classified as measured at FVTPL.

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

Business model assessment

The Organization 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 and reported to the Organization'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 Organization's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

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

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Organization 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. In making the assessment, the Organization considers:

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

Reclassification

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

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Financial liabilities

The Organization classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost.

Reclassification

Financial liabilities are not reclassified subsequent to their initial recognition.

Derecognition

Financial assets

The Organization derecognizes 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 Organization neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of:

- (i) the consideration received (including any new asset obtained less any new liability assumed) and
- (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Organization is recognized as a separate asset or liability

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

Financial liabilities

The Organization derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Modification of financial assets and financial liabilities.

Interest rate benchmark reform.

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortized cost changed as a result of interest rate benchmark reform, the Organization updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis - i.e. the basis immediately before the change.

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Organization first updated the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Organization applied the policies on accounting for modifications to the additional changes.

Financial assets

If the terms of a financial asset are modified, the Organization evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial

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asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs.

Any fees received as part of the modification are accounted for as follows:

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

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms.

The Organization performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Organization assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Organization analogizes to the guidance on the derecognition of financial liabilities.

The Organization concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement
- change of terms of financial asset that lead to non-compliance with the SPPI criterion.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Organization plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Organization further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Organization first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Organization treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

The Organization derecognizes 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 recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in

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profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Organization performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Organization concludes that the modification is substantial as a result of the following qualitative factors:

- change in the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Impairment

The Organization recognizes loss allowances for expected credit losses (ECL) on financial assets that are debt instruments and are not measured at FVTPL.

The Organization measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL - other financial instruments on which credit risk has not increased significantly since their initial recognition.

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. Financial instruments for which a 12-month ECL is recognized are referred to as 'Stage 1' financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are 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 Organization 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;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Organization if the commitment is drawn down and the cash flows that the Organization expects to receive; and
- *financial guarantee contracts*: the present value of expected payments to reimburse the holder less any amounts that the Organization expects to recover.

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Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized (see note 3(e)(ii)) and ECL are measured as follows.

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

Credit-impaired financial assets

At each reporting date, the Organization assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

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

A loan that has been renegotiated due to 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 retail loan that is overdue for more than 90 days is considered credit-impaired.

Presentation of allowance for ECL in the statement of financial position

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

- *financial assets measured at amortized cost:* as a deduction from the gross carrying amount of the assets;
- *where a financial instrument includes both a drawn and an undrawn component, and the Organization cannot identify the ECL on the loan commitment component separately from those on the drawn component:* The Organization presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-offs

Loans are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Organization determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss and other comprehensive income.

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Financial assets that are written off could still be subject to enforcement activities in order to comply with the Organization's procedures for recovery of amounts.

Cash

Cash and cash equivalents include current account balances and on demand deposits held with banks. Cash and cash equivalents are carried at amortized cost in the statement of financial position.

Loans to customers

'Loans to customers' caption in the statement of financial position include loans to customers measured at amortized cost (see Note 3(e)(i)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

Financial guarantees

Where a contract meets the definition of financial guarantee contract the Organization, as an issuer, applies specific accounting and measurement requirements of IFRS 9. These IFRS 9 measurement requirements are applied for all guarantee contracts, including guarantees issued between entities under common control, as well as guarantees issued by a subsidiary on behalf of the parent. If Organization gives a guarantee on behalf of an entity under common control, a respective provision is recognized in the financial statements. Where transaction is driven by the Organization's shareholders in their capacity as owners, the Organization treats such transactions as an increase in Provisions for financial guarantees and an equal and opposite decrease in equity (as a distribution of equity). Distributions of equity under financial guarantees are recognized in other reserves.

Financial guarantees are initially recognized in at fair value. Subsequently, unless the financial guarantee contract is designated at inception as at fair value through comprehensive income, Organization's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the statement of profit or loss and other comprehensive income, and ECL provision determined in accordance with IFRS 9. Amortization is recognized in the statement of profit or loss and other comprehensive income under net other operating income on a straight-line basis over the term of guarantee.

Financial guarantees are derecognized if the terms of the guarantee are substantially changed. Changes in guarantee limit are treated as a derecognition. In such cases the original guarantee is derecognized and a new guarantee is recognized at fair value. Change in the fair value is recognized as a decrease or increase in Other reserves. Other reserves are transferred to retained earnings upon repayment of liabilities under the financial guarantee.

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 has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

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Measurement and recognition of leases

Company as a lessee

At commencement or on modification of a contract that contains a lease component, the Organization allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Organization recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Organization by the end of the lease term or the cost of the right-of-use asset reflects that the Organization will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Organization's incremental borrowing rate. Generally, the Organization uses its incremental borrowing rate as the discount rate.

The Organization determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Organization is reasonably certain to exercise, lease payments in an optional renewal period if the Organization is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Organization is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Organization's estimate of the amount expected to be payable under a residual value guarantee, if the Organization changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Organization has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Organization recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Property and equipment

Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

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Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

– leasehold improvements	1-5 years
– computer hardware	3 years
– fixtures and fittings	5 years
– motor vehicles	5 years
– other equipment	2 years

Leasehold improvements are depreciated over the shorter of the useful life of the asset and lease term.

Intangible assets

Acquired intangible assets are stated at cost less accumulated amortization and impairment losses. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1-10 years.

Repossessed assets

Repossessed assets are measured at the lower of cost and net realizable value.

Provisions

A provision is recognized in the statement of financial position when the Organization has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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 fair value less costs to sell and their 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. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized 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 recognized 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 amortization, if no impairment loss had been recognized.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Organization has a present legal or constructive obligation to pay this

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amount as a result of past service provided by the employee, and the obligation can be reliably estimated.

Equity

Ordinary shares

The shares of the Organization are redeemable at the option of the participant under the legislation of the Republic of Armenia. The entity is obliged to pay a withdrawing participant its share of the net assets of the entity for the year of withdrawal in cash or, with the consent of the participant, by an in-kind transfer of assets.

Retained earnings

Retained earnings include accumulated profit of current and prior periods.

Dividends

The ability of the Organization to declare and pay dividends is subject to the rules and regulations of the Armenian legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

25. Fair values of financial instruments

The Organization measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 31 December 2024 and 2023, the estimated fair values of all financial instruments approximate their carrying amounts.

Loans to customers are considered to bear market interest rate. The interest rate of these loans is similar to interest rate of loans issued by similar financial institutions in the Republic of Armenia. There have been no significant fluctuation in effective interest rates of loans issued by the Organization in 2024 and 2023.