STATEMENT ON THE COMPREHENSIVE FINANCIAL RESULTS

As of 31/12/2023

(AMD thousand)

	Note	2023	2022
Interest and similar income		332,131	338,322
Interest and similar expenses		(54,832)	(58,502)
NET INTEREST INCOME	4	**277,299**	**279,820**
Income in the form of commission and other payments		105,123	77,084
Expenses in the form of commission and other payments		(409)	(290)
Received net commission payments	5	**104,714**	**76,794**
Net profit / (loss) on foreign currency transactions		(273)	(1,323)
Other operating income	6	38,680	45,626
Impairment (expense) / reversal	7	42,790	43,134
Personnel expenses	8	(158,700)	(121,170)
Other general administrative expenses	9	(91,734)	(70,521)
Other expenses	10	(19,109)	(16,385)
PROFIT BEFORE TAXATION		**193,667**	**235,975**
Income tax expense (reimbursement)	11	(33,262)	5,524
PROFIT AFTER TAXATION		**160,405**	**241,499**
Other comprehensive income			
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**160,405**	**241,499**

These Financial Statements were accepted and approved by the Management of the Company on 04.03.2024.

ECLOF UCO LLC

Executive Director: **Tsolak Malkhasyan**

Expert Accountant: **Karine Papujyan**

STATEMENT ON THE FINENCIAL POSOTION

As of 31/12/2023

(AMD thousand)

Article	Note	2023	2022
ASSETS			
Cash and bank accounts	12	6,265	3,498
Funds placed in banks	13	111,098	209,401
Borrowings and loans at amortized cost to customers	14	1,890,794	1,775,048
Fixed assets and intangible assets	15	94,9022	96,612
Deferred tax asset	11		
Receivables and advances	16	11,426	13,336
Other assets:	17	6,701	6,566
TOTAL ASSETS		**2,121,186**	**2,104,461**
LIABILITIES			
Liabilities to banks	18	-	-
Borrowings involved	19	699,614	704,885
Deferred tax liability	11	73,753	74,475
Other liabilities	20	106,973	60,492
TOTAL LIABILITIES		**880,340**	**839,852**
EQUITY			
Statutory capital	21	701,221	701,221
Accumulated profit (loss)		539,625	563,388
Total equity		**1,240,846**	**1,264,609**
TOTAL LIABILITIES AND EQUITY		**2,121,186**	**2,104,461**

ECLOF UCO LLC

Executive Director: **Tsolak Malkhasyan**

Expert Accountant: **Karine Papujyan**

STATEMENT ON THE CHANGES OF EQUITY CAPITAL

AS OF 31/12/2023

(AMD Thousand)	Statutory capital	General provision	Total
BALANCE AS OF JANUARY 1, 2022	701,221	321,889	1,023,110
Total comprehensive financial result for the year		241,499	241,499
Dividends			
BALANCE AS OF DECEMBER 31, 2022	701,221	563,388	1,264,609
BALANCE AS OF JANUARY 1, 2023	701,221	563,388	1,264,609
Total comprehensive financial result for the year		241,499	241,499
Dividends		160,405	160,405
Adjustment of the previous year financial result		(184,168)	(184,168)
BALANCE AS OF DECEMBER 31, 2023	701,221	539,625	1,240,846

ECLOF UCO LLC

Executive Director: Tsolak Malkhasyan

Expert Accountant: Karine Papujyan

STATEMENT ON CASH FLOW
As of 31/12/2023

(AMD Thousand)

Article	2023	2022
Cash flows from operating activities		
Interest received	329,393	318,049
Interest paid	(50,558)	(55,622)
Recovery of losses	252,827	301,884
Net commissions received	16,301	36,724
Salary paid and other equivalent payments	(102,891)	(87,777)
Taxes paid	(55,169)	(35,794)
NET CASH FLOWS BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES	**389,903**	**477,464**
DECREASE (INCREASE) OF ALLOCATED FUNDS		
Loans and borrowings to customers		
Increase (decrease) of funds involved	23,318	(78,229)
Net cash flows from other operating activities	(210,975)	(268,059)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**202,246**	**131,176**
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets and intangible assets	(14,041)	(63,347)
Disposal of fixed assets	1,600	
Net cash flow from other investment activities		
NET CASH FLOW FROM INVESTMENT ACTIVITIES	**(12,441)**	**(63,347)**
CASH FLOW FROM FINANCIAL ACTIVITIES		
Replenishment of statuary capital		
Dividends paid	(181,682)	
Increase/decrease of bank loans	-	(10,942)
Increase/decrease of borrowings received	(5,112)	(55,186)
CASH FLOW FROM FINANCIAL ACTIVITIES	**(186,794)**	**(66,128)**
NET INCREASE/(DECREASE) OF CASH AND CASH EQUIVALENTS	**3,011**	**1,701**
The effect of exchange rate fluctuations on cash and cash equivalents	**(216)**	**(1,320)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**3,534**	**3,153**
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**6,329**	**3,534**

ECLOF UCO LLC

Executive Director: Tsolak Malkhasyan

Expert Accountant: Karine Papujyan

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. COMPANY DESCRIPTION

ECLOF UCO LLC (hereinafter referred to as the Company) was founded by the ECLOF Foundation, a member of the ECLOF International Global Family (headquartered in Geneva, Switzerland), as well as MFC, a member of the Central and Eastern European Microfinance Centre.

ECLOF UCO LLC was registered and licensed by the Central Bank of the Republic of Armenia on October 17, 2006. License No. 17:

ECLOF UCO LLC implements credit programs in the territory of the Republic of Armenia.

The location and legal address of the company is 48/40 Mashtots, Echmiadzin, Republic of Armenia.

According to the charter, the goals of the Company's activity are:

- Provide loans to individuals and legal entities, which will enable them to meet their socioeconomic conditions and strengthen their independence, to provide the activities for which they receive loans, which will generate certain income, both to repay the loans and to have income.

- Provide loans to individual entrepreneurs or legal entities that contribute to the establishment and development of small and mediumsized businesses, as well as the creation and maintenance of jobs.

- Provide loans to churches, church institutions, Christian organizations, nonprofit organizations and communities of the Republic of Armenia, which are aimed at the implementation of social, educational, health and other programs.

The average number of employees of the company as of the year ended December 31, 2023 was 33 employees (2022 35).

2. FUNDAMENTALS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRC), developed and published by the International Accounting Standards Board (IASC). The comparative information and financial statements include the results of the Company's financial activities and cash flows for the year ended 31.12.2023.

2.2 BASIS OF MEASUREMENT

The financial statements have been prepared on a fair value basis for financial assets and liabilities measured at fair value through profit or loss, as well as for assets measured at fair value through other comprehensive income, except for assets whose fair value cannot be determined. Other financial assets and liabilities are carried at amortized cost and nonfinancial assets and liabilities are carried at historical value. Financial information is presented in AMD with an accuracy of thousands.

2.3 FUNCTIONAL AND PRESENTATION CURRENCY

The national currency of the Republic of Armenia is the AMD, which is the functional currency of the Company and the currency for the submission of these financial statements. The functional currency of the Company is the Armenian dram, as this currency best reflects the economic content of the events underlying the financial statements and the Company's transactions.

2.4 USE OF EVALUATIONS AND JUDGMENTS

judgments, estimates and assumptions that affect the application of accounting policies, as well as the amounts presented in assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and related assumptions are constantly being reviewed. Revisions of accounting estimates are recognized in the period in which they were reviewed and in future periods in which they may be affected.

The information on the judgments, estimates and assumptions made during the application of the accounting policy, which have the most significant impact on the amounts recognized in the financial statements, is provided below:

Classification of financial assets

It is the valuation of a business model in which assets and contractual assets are assessed to determine whether cash flows arising on a particular date are only interest payments on principal and outstanding principal Note 3.

Impairment of financial instruments

Assess whether the financial asset's debt risk has increased significantly after initial recognition, grouping of assets with the same debt risk profile, and estimating the expected debt loss, including using forecasting information.

Lease

The term of the lease under the lease agreement (under which the Company acts as a lessee), including whether the Company reasonably intends to exercise the option of selecting a lessee, and the determination of the additional borrowing rate used to measure lease obligations.

Going concern principle

Management has prepared these financial statements on a going concern basis. In making this judgment, management took into account the Company's financial condition, current intentions, operating profitability and availability of financial resources.

The company has stable revenue from its business activities. Management does not expect that the situation may cause inconsistencies in the continuity of its activities taking into account the expectation of continued positive operating cash flows.

After making assessments, the Company's management has a reasonable expectation that the Company will be able to maintain its operations in the foreseeable future. Therefore, in preparing its financial statements, the Company continues to rely on the principle of going concern therefore these financial statements do not contain any adjustments, the need of which will be appeared in the case if the Company will not able to ensure the continuity of its activities.

Fair Value Measurement

A number of assets and liabilities are required to be measured at fair value and/or recognized at fair value in the Company's financial statements.

To measure the fair value of a Company's financial and nonfinancial assets and liabilities market observable baseline data are used as much as possible. The baseline data used to measure fair value are classified according to different levels depending on how observable the data used in the valuation method are ("fair value hierarchy").

2.5 CHANGES IN ACCOUNTING POLICY

The Company has applied the following revised IFRS which entered into force on January 1, 2023 or for reporting periods beginning after that date. The Company has not applied any standards or amendments that were previously adopted but are not currently in effect.

The essence and effects of the changes are described below.

The new and revised standards and interpretations, which are applicable from January 1, 2023 and for annual periods beginning after that.

Below mentioned new standards and amendments which were first applied in 2022, did not have a material impact on the Company's financial statements.

IFRS 3	References to the conceptual framework (Amendments to IFRS 3)
IAS 16	Proceeds before intended use (Amendments to IAS 16)
IAS 37	Onerous contracts – costs of fulfilling a contract (Amendments to IAS 37)
IFRS 1, IFRS 9, IAS 41, IFRS 16	Annual improvements to IFRS Standards 2018-2021 cycle (Amendments to IFRS 1, IFRS 9, IAS 41, IFRS 16)
IFRS 17 and IFRS 4	Insurance contracts and IFRS 17 Amendments to insurance contracts
IAS 1	Disclosure of accounting policies (Amendments to IAS 1 and Practice Statement 2 of IFRS)
IAS 12	Deferred Tax on Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12) and International Tax Reforms, Second Column Model Rules
IAS 8	Defination of accounting estimates

Standards, amendments and interpretations on existing standards that are not yet in force and have not been introduced in advance by the Company.

At the date of approval of these financial statements, the International Accounting Standards Board (IASB) has issued certain new standards, amendments and interpretations to existing standards, which are not yet effective and have not been preintroduced by the Company.

Management anticipates that all applicable disclosures will be incorporated into the Company's accounting policies from the date of effective date of disclosure. New standards, changes and comments that have not been applied in the current year have not been disclosed, as they are not expected to have a material impact on the Company's financial statements and are set out below.

Standard	Title of Standard or Interpretation	Effective for reporting periods beginning on or after
IAS 1	Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024
IAS 16	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
IAS 1	Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024

3. ACCOUNTING POLICY

The accounting policy set out below is consistently applied to all periods presented in these financial statements.

Recognition of income and expenses

Income is recognized when it is probable that the economic benefits will flow to the Company and the proceeds may be measured reliably. Expenses are recognized when it is probable that the economic benefits will flow from the company and the cost can be measured reliably.

Interest expenses and income

Interest income and expense for all interestbearing financial instruments, except for instruments that are retained for trade or adjusted for profit or loss, are recognized in the income statement as interest income and interest expense using the effective interest method.

The interest income received by the Company, as well as the interest expenses payable, the Company measures, recognizes and records by accrual on a daily basis, regardless of the actual income received or the payment period.

For nonperforming loans and other assets, when the collection of their principal and interest becomes doubtful, interest income is not recognized. Such interest income is recognized in the financial statements on a cash basis.

Income and expenses in the form of commissions and other payments, in particular audit, advertising, building maintenance and maintenance liabilities, as well as vehicle fuel costs, are reported in the income statement on an accrual basis, based on the services provided or under the terms of the contract.

Dividends are recorded in the income statement in accordance with the principle of accrual at the time of declaration.

If the carrying amount of a financial asset or similar financial asset decreases due to impairment losses, interest income continues to be recognized using the original effective interest rate profits the new carrying amount.

Income and expenses from commissions and other similar payments

Commissions, rents and other income and expense items are generally recognized on an accrual basis when providing services.

Currency exchange

Foreign currency transactions are recalculated in the functional currency at the exchange rate of the transaction day. The gain or loss on the conversion of noncommercial assets denominated in foreign currencies is recognized in the statement of other income under "Other income" or "Other expenses" articles. Monetary assets and liabilities denominated in foreign currencies are revalue on a daily basis in the functional currency using the settlement exchange rate formed in the RA financial market of the given date and announced by the Central Bank.

Below is the yearend exchange rates used by the Company during the preparation of the financial statements.

Currency	**The settlement exchange rate of the Central Bank of Armenia**	**The settlement exchange rate of the Central Bank of Armenia**
	As of 31.12.2023	As of 31.12.2022
One USD	AMD 404.79	AMD 393.57

Taxation

Profit tax of the reporting year consists of current and deferred taxes. The amount of current profit tax is calculated in accordance with the requirements set by the RA legislation, taking into account the expenses that are not deductible from income according to the "Profit Tax" chapter of the RA Tax Code.

Deferred taxes, if any, arise from temporary differences between the carrying amount of an asset or a liability and its tax base. The tax base of an asset or liability is the amount that is attributed to that asset or liability for tax purposes. Contributions to deferred tax liabilities arising from temporary differences, if any, are paid in full. Deferred tax assets are recognized to the extent that they can be sold.

Deferred income tax assets and liabilities are offset when the Company has a legally established right to offset the amount of recognized current tax assets and liabilities.

There are also many other operating taxes in the Republic of Armenia, which are calculated based on the Company's activities. These taxes are recognized in the statement of comprehensive income under the article "Other expenses".

Cash and cash equivalents

The Company's cash and cash equivalents include accounts opened in Armenian banks. The actual inflow or outflow of the Company's cash is processed on the basis of documents duly formulated at the face value of the currencies.

The Company is guided by the direct method when compiling the cash flow statement based on gross cash inflows and payments received as a result of operating activities.

Bank accounts

During its normal operation, the Company uses current or different time deposit accounts in banks. Fixedterm deposits are carried at amortized cost using the effective interest method.

Financial assets and financial liabilities

➢ **Classification**

At the time of initial recognition, a financial asset is classified at amortized cost, measured at fair value through other comprehensive income or measured at fair value through profit or loss.

A financial asset is measured at amortized cost if it satisfies to 2 conditions set out below and is not measured at fair value through profit or loss.

- The asset is held within a business model that is intended to hold the asset to raise contractual cash flows.
- The contractual terms of a financial asset give rise to cash flows at certain dates, which are only interest payments on principal and outstanding principal amounts.

A debt instrument is measured at fair value through other comprehensive income if it meets both of the conditions below and is not measured at fair value through profit or loss..

- The asset is held within a business model that is achieved through both the collection of contractual cash flows and the sale of financial assets, and
- The contractual terms of a financial asset give rise to cash flows at certain dates, which are only interest payments on principal and outstanding principal amounts.

Profit and loss on debt financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income except those presented below, which are recognized in the same way as profits and losses on financial assets measured at amortized cost

- interest income using the effective interest method,
- Expected debt losses and reversals,
- profit and loss from exchange rate differences.

All other financial assets are classified at fair value through profit or loss. In addition, at the time of initial recognition, the Company may have an irreversible financial asset, which otherwise satisfies the requirements for measurement at fair value through amortized cost or other comprehensive income as measured at fair value through profit or loss if it will eliminate or significantly reduce the accounting discrepancy that would otherwise arise.

➢ **Business Model Assessment**

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets,
- how the performance of the portfolio is evaluated and reported to the Company's management,
- the risks that affect the performance of the business model (and the financial assets held within that business

- 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 Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets or financial assets held for trading purposes which are managed and which effectiveness is measured at fair value are measured at fair value through profit or loss as they are not held to collect noncontractual cash flows or to collect contractual cash flows or to sell financial assets.

➢ **Assessment whether contractual cash flows is solely payments of principal and interest**

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

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

- contingent events that would change the amount and timing of cash flows,

- leverage features,

- prepayment and extension terms,

- terms that limit the Company's claim to cash flows from specified assets (e.g. nonrecourse 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 Company changes its business model for managing financial assets.

➢ **Financial liabilities**

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

➢ **Reclassification**

Financial liabilities are not reclassified subsequent to their initial recognition.

➢ **Recognition**

A Company recognizes a financial asset or financial liability in its statement of financial position only when it becomes a party to the instrument. Regular purchases or sales of financial assets are accounted for at the date of the transaction.

➢ **Amortized cost**

Amortized cost of a financial asset or liability is the amount by which the financial asset or liability is measured at initial recognition less any repayments of the principal amount plus the accumulated amortization of any difference between the original recognition amount and the repayment amount minus any reduction of impairment of financial instrument and are amortized using the instrument's effective interest method.

- **Fair value measurement principles**

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The fair value of a liability must take account of nonperformance risk.

Where possible, the Company measures the fair value of the instrument using the prices quoted in the active market for that instrument. A market is considered active if an asset or liability transaction occurs with sufficient frequency and volume to provide pricing information on an ongoing basis. Profit or loss from financial assets and the change is recognized in the following way:

- Profits or losses are recognized in profit or loss on a financial instrument which is classified as fair value through profit or loss. Interest on a financial asset is recognized in profit or loss using the effective interest method.
- Interest on financial assets measured at fair value through profit or loss is recognized in profit or loss using the effective interest method.
- Profits or losses on financial assets and liabilities carried at amortized cost are recognized in profit or loss when the financial asset or liability is derecognised or impaired, as in the case of amortization.

- **Derecognition**

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

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

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

If an existing financial liability is replaced by another financial liability of the same lender under substantially different terms or the terms of an existing liability are substantially altered, it is treated as a derecognition of the original liability and recognition of the new liability.

The company makes transactions, by which transfers the assets recognized in the statement of financial position however, retains all or part of the risks and rewards of ownership of the transferred assets. If all or substantially all the risks and rewards of owning an asset are retained, the transferred assets will not be derecognized.

In transactions in which the Company neither transfers nor retains substantially all the risks and rewards of owning a financial asset, it derecognizes the asset if it loses control on it.

In transactions in which the Company retains control of the asset, the Company continues to recognize the financial asset to the extent that it continues to be involved in the financial asset to the extent that it is exposed to changes in the value of the transferred asset. The Company writes off assets that are considered uncollectible.

- **Impairment**

The Company recognizes a provision for debt instruments that are expected to be measured at fair value through profit or loss for the following financial instruments, which are debt instruments.

No impairment loss is recognized on equity investments.

The company measures the provision on losses in the amount equal to the expected debt loss for the entire life of the financial instrument except for those financial instruments for which the debt risk has not increased significantly since its initial recognition for which the loss provision is measured at an amount equal to the expected debt loss within 12 months. The company does not use the lowrisk simplification of its financial instruments.

Expected debt loss within 12 months is the portion of expected debt loss that results from nonperformance of liabilities that are probable within 12 months after the reporting date. Financial instruments for which debt loss is expected to be recognized within 12 months are considered as first stage financial instruments.

Financial instruments in respect of which a debt loss is expected to be recognized for the entire life of the financial instrument are considered as second stage financial instruments (if the debt risk has increased significantly since the initial recognition but the financial instruments are not impaired) and as third stage financial instrument (if the financial instruments are impaired).

- **The expected credit loss measurement**

Expected debt loss is the assessment of the weighted debt loss according to the degree of probability of default and is measured as follows:

- Financial assets that are not impaired at the reporting date as the present value of all impaired cash (i.e., the difference between the cash flows that the Company should receive under the contract and that the Company expects to receive),
- Financial assets that are impaired at the reporting date as the difference between the gross carrying amount and the present value of future estimated cash flows,
- unused portion of the loan obligation as the present value of the difference between the contractual cash flows that the Company must receive if the borrower exercises its right to receive a loan and the cash flows that the Company expects to receive. See also Note 4.

- **Financial assets Restructured**

If the terms of a financial asset are revised or changed or an existing financial asset is replaced by a new borrower due to financial difficulties, the need to derecognize the financial asset is assessed and the expected debt loss is measured as follows:

- If the expected revision does not lead to the Derecognition of an existing financial asset, the expected cash flows from the modified financial asset are included in the calculation of the declining cash on the existing asset (see Note 4).
- If an expected revision of the terms results in the Derecognition of an existing financial asset, the expected fair value of the new asset is treated as the final cash flows arising from the existing financial asset at the time of its Derecognition. This amount is included in the calculation of declining cash on an existing asset, which is discounted from the expected date of Derecognition to the reporting date using the original effective interest rate on the existing financial asset.

- **Impaired financial assets**

At each reporting date, the Company assesses financial assets measured at amortized cost for impairment. A financial asset is considered impaired if one or more events have occurred that have a negative impact on the estimated future cash flows of the financial asset. Evidence of impairment of a financial asset includes the following observations:

- Significant financial difficulties of the borrower or issuer
- Breach of contract, including nonperformance or late payment,
- A review by the Company of the terms of the loan or lending that the Company would not otherwise have considered,
- Possible bankruptcy of the borrower or other financial restructuring.

A loan whose terms have been revised due to the deteriorating condition of the borrower is usually considered impaired unless there is evidence that the risk of nonreceipt of contractual cash flows has been significantly reduced and there are no other signs of impairment. In addition, an overdue loan of 90 days or more is considered impaired.

- **The expected credit loss provision to the statement of financial position**

Expected debt loss provision is 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,
- when the instrument includes a financial component, both used and unused, and the Company cannot separate the expected debt loss on the liability component from the expected debt loss on the component already used. The Company represents a total loss provision for both components. The total amount is presented as a deduction from the gross carrying amount of the component used. The amount by which the provision for loss exceeds the gross carrying amount of the component used is presented as a provision.

- **Writeoffs**

Loans are written off when there is no realistic expectation that the financial asset will be fully or partially repaid. Withdrawals are usually made when the Company determines that the borrower does not have assets or sources of income from which it can receive sufficient cash flows to repay the amounts to be written off.

Reimbursement of previously written off amounts is included in the statement "Impairment losses on financial instruments" in the statement of profit or loss or other comprehensive income.

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

- **Loans to customers**

"Loans to customers" caption in the statement of financial position include loans to customers measured at amortized cost, they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

- **Leased asset**

Leasing liabilities are measured at the present value of the contractual consideration payable to the Lessor over the lease term, using the inhouse lease as a discount rate, except when (as usual) the rate is not easily determined. In this case, the Company uses the interest rate to attract additional loans at the start of the lease. Lease variable payments are included in the measurement of lease liability only if they depend on the index or rate. In such cases, the initial measurement of the lease assumption assumes that the variable element will remain unchanged throughout the lease term. Other variable leases are spent on the period to which they relate. The right of use asset is initially measured at the amount of the lease liability minus the discount received.

- Amounts paid at or before the start of the lease,
- Initial direct costs, and
- The amount of the recognized recovery provision if the Company has a contractual obligation to recover the leased asset

Upon initial recognition, the lease liability is increased by the amount of interest expense and reduced by the amount of payments made.

In the form of a right of use, the asset is depreciated in a straightline manner over the minimum lease term and the asset residual useful life.

- **Fixed assets**

Fixed assets are stated at cost less accumulated depreciation. If the recoverable amount of the asset is less than its carrying amount, then the conditions are not considered temporary, until the recoverable value of the relevant asset is reduced.

Depreciation is calculated on a straightline basis over the estimated useful lives of the assets. The following annual depreciation rates were applied:

Fixed assets	Useful life (years)	Annual interest rate (%)
Computer equipment	3	33,33
Office property	5	20
Vehicles	5	20
Capital expenditures on leased fixed assets	20	5

Repair and maintenance costs of property, plant and equipment are recognized in the income statement in the period in which they are incurred. Overhaul costs are included in the carrying amount of an asset when it is probable that future economic benefits associated with the asset will flow to the Company more than expected from the initial valuation of the asset. Overhaul depreciation is calculated on the residual useful life of the relevant asset.

Expenses and income from disposal of property, plant and equipment are determined by comparing net income and carrying amount of the asset and are included in operating income.

The increase in value from revaluation is attributed to retained earnings as the Company uses its assets. The amount attributed is the difference between the depreciation based on the revalued carrying amount of the asset and the depreciation based on the carrying amount of the asset.

When revalued assets are derecognized or disposed of, the amounts attributable to the disposal assets and included in the revaluation provision are attributed to retained earnings.

- **Intangible assets**

Separately acquired intangible assets are measured at cost at initial recognition. After initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment costs. Intangible assets acquired in foreign currency are recorded at the exchange rate established at the date of acquisition in the financial market of the Republic of Armenia and announced by the Central Bank of the Republic of Armenia and are not revalued in the event of exchange rate changes. The assignment of an intangible asset unit to this or that class (for example, software, licenses and credentials, copyrights, etc.) defined by the chart of accounts of the credit companies operating in the territory of the Republic of Armenia is based on the significance and purpose of using the unit. The useful life of software is estimated at 110 years.

Subsequent expenditure on an intangible asset is recognized as an investment and is added to the value of that asset. The depreciation period of each unit of intangible assets is determined based on their possible useful lives. If the latter cannot be determined, the intangible assets are considered intangible assets with indefinite useful life, and no depreciation is calculated for that asset, but the asset is revalued for impairment.

The Company applies the straightline method of depreciation to regularly distribute the depreciation amount of intangible assets during its useful life.

- **Borrowings**

Borrowings, which include liabilities to other financial institutions, lenders and founding parties, are initially recognized at fair value through profit or loss, less directly attributable operating expenses. After the initial valuation, the borrowings are carried at amortized cost using the effective interest method. Profit or loss is recognized in the

- **Provisions, contingent assets and liabilities**

Provision is an indefinite liability. Provision is recognized when the Company has a legal or constructive liability as a result of past events and it is probable that the repayment of the liability will require an outflow of material benefits and that the amount of the liability can be estimated reliably. If the above conditions are not met, the Company does not form a provision. The amount recognized as a provision should provide the best estimate of the costs required to settle the present liability at the balance sheet date. Expenditure related to the provision may be presented in the income statement on a straightline basis. Provisions at each reporting date should be reviewed and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of material benefits will be required to repay the liability, the provision shall be reversed. Provision should be used only on expenses for which the provision was originally recognized.

A contingent liability is a potential liability as a result of past events, which existence will be established only by the occurrence or nonoccurrence of one or more future uncertainties, which are not fully controlled by the Company or current liability as a result of past events, but which is not recognized for the following reasons:

- It is not probable that these liabilities will require an outflow of economic benefits, or
- The amount of the liabilities cannot be measured with sufficient reliability

A contingent asset is a potential asset as a result of past events, the existence of which will be confirmed only by the occurrence or nonoccurrence of one or more future uncertainties that are not fully controlled by the Company.

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes. However, if the potential outflow of assets embodying economic benefits to repay them is very small, contingent liabilities are not disclosed.

- **Dividends**

Dividends are recognized as a liability and are deducted from equity as of the balance sheet date only if they are declared before or at the balance sheet date. Dividends are disclosed when they are offered before the balance sheet date, or when they are offered or announced after the balance sheet date, but before the financial statements are approved for publication.

- **Deferred taxes**

Deferred tax assets and liabilities are recognized when there are discrepancies between the carrying amounts of the assets or liabilities recognized in the statement of financial position and their respective tax bases, unless they arise:

- from the initial recognition of goodwill,
- as a result of a transaction that is not a business combination, the initial recognition of assets and liabilities and the date of the transaction do not affect either taxable profit or accounting profit,
- from investments in subsidiaries and joint ventures in which the Company is able to control the reversal of differences and it is probable that the differences will not be reversed in the foreseeable future.

Recognition of deferred tax assets is limited when it is unlikely that a taxable profit will be available profits which the temporary differences can be utilized.

Deferred tax assets or liabilities are measured using the tax rates that are expected to be applied when deferred tax liabilities/(assets) will be repaid/(reimbursed).

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

- **Offsetting**

Financial assets and liabilities are offset in the statement of financial position on a net basis only if the Company has a legally enforceable right to offset the amounts recognized, such as the intention to settle on a net basis or to sell the asset and settle the liability at the same time. The Company has a legally enforceable right to offset, if that right does not depend on future events and is enforceable both in the normal course of business and in the event of default by the Company and all parties, liquidation or bankruptcy.

- **Important accounting estimates and judgments**

The preparation of financial statements in accordance with IFRS requires the Company's management to make significant accounting estimates, judgments and assumptions that affect to the amounts of assets and liabilities at the reporting date, as well as the expenses and income for the period. Estimates based on historical experience and other factors based on the circumstances and the assumptions associated with them allow us to make judgments on the carrying amounts of assets and liabilities that cannot be determined from other sources. In any case, although the estimates are based on management's best understanding of current events, the actual results may ultimately differ from the estimates made.

Significant judgments and estimates regarding the financial statements presented are set out below.

- **Related parties**

The parties are considered related if one of them can control the other or have a significant influence on the other in making financial and operational decisions.

Related parties of the company are:

1. Companies that directly or indirectly control or are controlled by the Company or are under joint control with the Company,

2. Associated Companies

3. Jointly controlled units

4. Citizens (including close family members) who, directly or indirectly, have so many voting rights in the Company that they have a significant influence over the Company,

5. Key management personnel, i.e. those persons who are competent and responsible for the planning, management and oversight of the reporting entity, including the directors of the Companies, officials and close family members,

6. Companies in which the right to a significant number of votes belongs directly or indirectly to any of the persons described in paragraphs 4 and 5, or over whom such persons have a significant influence. These include Companies that are owned by the directors or major shareholders of the reporting entity, and those that have a common key management staff member with the reporting entity.

The company carries out operations with related parties during its activity. These transactions are mainly carried out at market prices. In the absence of a functioning market, the application of market or nonmarket interest rates is determined on the basis of judgments. Judgments are based on similar transactions with other customers as well as effective rate analyzes.

- **Significant errors and changes in accounting policies**

Errors made in the financial statements of one or more prior periods and found during the reporting period as a result of arithmetical inaccuracies, errors in the application of accounting policies, misinterpretation of facts, fraud or negligence are subject to be corrected, as a rule, in the financial statements of the reporting period. Mistakes made, which have such significant implications on past financial statements that they can no longer be considered credible

The Company corrects the significant errors of the previous period backwards after their detection in the first set of financial statements approved for publication.

In case of change of accounting policy:

- The Company records changes in accounting policies resulting from the first application of IFRS in accordance with the specific transitional provisions of that IFRS (if any),

- When the Company changes its accounting policies in connection with the first application of an IFRS that does not include specific transitional provisions relating to that change, the Company applies the change backwards.

➢ **Events after the reporting period**

Events after the end of the reporting period are favourable and unfavourable events that occur between the end of the accounting period and the date between which the financial statements are ratified (signed) for submission (to statutory addresses).

The Company adjusts the amounts recognized in its financial statements to reflect the adjustments that occurred after the end of the reporting period (events that confirm the conditions or situation existing at the end of the reporting period).

If the amount of a material error, depending on the size and nature of the transaction or item, does not exceed one percent of the Company's balance sheet assets, and if the disclosure of that information does not affect the economic decisions made by users based on the financial statements then no changes are made to the statement of financial position as of the date of the last day of the previous year.

The Company does not adjust the amounts recognized in its financial statements to report unrecorded events after the end of the reporting period.

If the equity holders' dividends are nominated or declared after the end of the reporting period, the Company does not recognize those dividends as a liability at the end of the reporting period.

➢ **Impairment provisions on loans and receivables**

At each reporting date, the Company reviews its problem loans and borrowings to determine whether any impairment provision should be included in the income statement. In particular, management judgment is necessary to estimate the frequency and amount of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors, and actual values may differ, which will lead to further changes in the amount of the provision.

In particular, except the special provision created for significant loans and borrowings Company also creates group of impairment provisions for risks which although had not been individually assessed, but carry a higher risk of default than originally determined. It takes into account factors such as deteriorating country risk, industry, technological obsolescence, as well as identified structural weaknesses or declining cash flows.

4 Net interest income

a) Interest and similar income

AMD thousand	2023	2022
Interest income on loans and other borrowings	315,915	325,421
Interest income from investments	16,151	12,430
Other	65	471
Total interest and similar income	**332,131**	**338,322**

b) Interest and similar expenses

AMD thousand	2023	2022
Interest expenses on involved loans and borrowings	(52,438)	(55,863)
Interest expenses on loans from banks	(50)	(331)
Interest expenses on operating lease	(2,186)	(2,257)
Other	(158)	(51)
Total interest and similar expenses	**(54,832)**	**(58,502)**
Net interest income	**277,299**	**279,820**

5 Received net commission payments

Income in the form of commission and other payments

AMD thousand	2023	2022
From loans to customers	105,123	77,084
Total	105,123	77,084

Expenses in the form of commission and other payments

Commission expenses	(409)	(290)
Total	(409)	(290)
Received net commission payments	104,714	76,794

6 Other operating income

AMD thousand	2023	2022
Income from fines and penalties	37,347	45,626
Income from grants		
Income from alienation of buildings and structures	1,333	
Total	38,680	45,626

7 Impairment (expense)/reversal

AMD thousand	2023	2022
Income from loan and receivables recovery	67,906	106,608
Allocation to loans, receivables losses	(25,116)	(63,474)
Total	42,790	43,134

Details of the amounts recognized in profit or loss of deferred tax assets and the impact of the adjustment to IFRS 9 are provided below.

2023 **AMD Thousand**	**Balance as of 01/01/2023**	**Recognized in profit or loss**	**Balance as of 31/12/2023**
Loans to customers	(74,593)	(2,597)	(77,190)
Other asset	(5,093)	2,074	(3,019)
Other liabilities	5,211	1,245	6,456
Deferred Tax Asset / (Liability)	(74,475)	722	(73,753)
2022 **AMD Thousand**	**Balance as of 01/01/2022**	**Recognized in profit or loss**	**Balance as of 31/12/2022**
Loans to customers	(91,544)	16,951	(74,593)
Other asset	-	(5,093)	(5,093)
Other liabilities	95	5,116	5,211
Deferred Tax Asset / (Liability)	**(91,449)**	**16,974**	**(74,475)**

12. Cash and cash equivalents

AMD thousand	2023	2022
Current accounts in banks	6,329	3,533
Provisions	(64)	(35)
Total cash and cash equivalents	**6,265**	**3,498**

13 Fund in Banks

AMD thousand	2023	2022
Term deposits in banks	110,800	186,074
Interest, penalties and fines on time deposits in banks	1,420	25,442
Provisions	(1,122)	(2,115)
Total	**111,098**	**209,401**

14 Loans and other borrowings at amortized cost to customers

AMD thousand	2023	2022
Provided at amortized cost loans and other borrowings	2,496,892	2,448,538
Provisions	(606,098)	(673,490)
Total	**1,890,794**	**1,775,048**

15 Fixed assets and intangible assets

Assets on a use	Buildings	Office property	Computer equipment	Vehicles	Capital Investments on Leased Property	Intangible assets and other Fixed assets	Assets with the right to use	Total
Initial value								
As at 01.01.2022		8,895	21,357	22,877	9,937	12,790	21,572	97,428
Increase	60,000	382	2,314	-	-	1,346	20,222	84,264
Disposals /writeoff		-	-				(3,933)	(3,933)
As at 31.12.2022	60,000	9,277	23,671	22,877	9,937	14,136	37,861	177,759
Increase	5,480	573	6,890	-	-	4,426	9,442	26,811
Disposals /writeoff		(1,556)	(2,032)	(6,818)	(9,937)	(2,337)	(20,398)	(43,078)
As at 31.12.2023	**65,480**	**8,294**	**28,529**	**16,059**	-	**16,225**	**26,905**	**161,492**
Depreciation								
As at 01.01.2022		7,508	18,169	22,877	7,782	9,781	5,650	71,767
Depreciation expense		505	2,136	-	378	822	9,472	13,313
Disposals /writeoff							(3,933)	(3,933)
As at 31.12.2022		8,013	20,305	22,877	8,160	10,603	11,189	81,147
Depreciation expense	2,312	535	2,315	-	1,777	1,650	7,561	16,150
Disposals /writeoff		(1,556)	(2,032)	(6,818)	(9,937)	(2,337)	(8,027)	(30,707)
As at 31.12.2023		8,013	20,305	22,877	8,160	10,603	11,189	81,147
Carrying amount as at 31.12.2022	60,000	1,264	3,366	0	1,777	3,533	26,672	96,612
Carrying amount as at 31.12.2023	63,168	1,302	7,941	0	0	6,309	16,182	94,902

16 Receivables and advances

AMD Thousand	2023	2022
Receivables and advances	11,533	13,597
Provision on receivables	(127)	(261)
Total	**11,426**	**13,336**

17 Other Assets

AMD Thousand	2023	2022
Confiscated mortgage real estate	6,255	6,255
Other assets		
Accelerated items	446	311
Total	**6,701**	**6,566**

18 Liabilities to banks

AMD Thousand	2023	2022
Loans received from banks	-	-
Accrued interest	-	-
Total	-	-

19 Loans and borrowings involved

AMD Thousand

	Currency	Repayment period	Rate (%)	Effective rate (%)	31.12.2023	31.12.2022
Unsecured Borrowing ECLOF International Foundation	AMD	2023	9%	13,98%	26,090	52,180
Secured borrowing from RA "GTTZ PIU" PH	AMD	Uncertain	7%	7,24%	121,204	77,788
Secured borrowing from RA "GTTZ PIU" PH	AMD	Uncertain	2%	2,02%	1,884	4,304
Unsecured Borrowing ECLOF International Foundation	AMD	2032	7%	7,56%	389,069	389,069
Unsecured Borrowing ECLOF Foundation	AMD	2026	10%	10,47%	161,367	181,544
Total					**699,614**	**704,885**

20 Other Liabilities

AMD Thousand	2023	2022
Amounts to be paid for other people's financial lease	17,292	28,020
Payables to the budget	28,616	5,673
Payables to the employees	18,754	930
Trade payables	2,131	1,721
Grants	3,955	-
Other	36,225	24,148
Total	**106,973**	**60,492**

21 Equity and Provisions

The statuary capital of the company is AMD 701,220,801. The authorized capital of the company is divided in the following proportions: ECLOF Foundation 73.12%, ECEOF International Foundation 26.88%.

22 Risk management

Risk management is an essential factor for credit Companies and an important element of the Company's operations. Market risk, debt risk and liquidity risk are the main (significant) risks to which the Company is exposed.

a) Risk management policies and procedures

The purpose of the risk management policy is to identify, analyze and manage the risks to which the Company is exposed, to establish appropriate risk limits and control mechanisms, as well as to continuously monitor the risk levels and their compliance with the set limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered, and best practices.

Management is responsible for the proper functioning of the risk management system, the review of key risk and risk management policies and procedures, as well as the approval of major transactions, as well as the oversight and implementation of risk mitigation measures and ensuring the Company's operations within appropriate risk limits.

Credit, market and liquidity risks are managed and controlled by both the portfolio and individual operations.

According to the Company's internal documentation, the Internal Audit Department frequently prepares reports that address significant Company risk management issues. The reports include an assessment of the effectiveness of the Company's procedures and methods and recommendations for improvement.

Both external and internal risk factors are identified and managed within the Company structure of the Company. Special attention is paid to identifying all risk factors and determining the appropriateness of risk reduction measures.

b) Credit risk

Credit risk is the risk of financial loss due to nonperformance of contractual obligations by the customer or the parties to the financial instrument. The main activity of the company is the provision of microloans. Accordingly, credit risk is of paramount importance in the risk management of microfinance Companies. To avoid significant financial losses, the Company uses a variety of methods to determine and effectively manage credit risk's The microfinance sector is generally prone to credit risk through customer loans and bank deposits. As for loans to customers, this risk is concentrated in the Republic of Armenia. Risk management and monitoring is carried out within the defined powers. These processes are carried out by the Credit Committees and the Board of the Credit Company. The information provided to the Credit Committee is preliminary analytical information based on the customer's initial application, due diligence on the business and credit risks of the loan officer, the accuracy of which is also checked comparatively by the loan manager, under the responsibility of the loan officer and the loan manager. Finally, the members of the Credit Committee assess the compliance of the application with the established criteria (applicant's credit history, financial condition, competitiveness, etc.). The director is called to identify operational, credit, product risks. Internal audit conducts regular audits of representative offices and the Company's credit processes. According to the company's loan disbursement and servicing procedure, the loan specialists, operations department, and security study the overdue loan analysis accordingly, and follow up on overdue balances. Under the supervision of the director, work with overdue loans is organized. All loans of the company are secured by personal guarantees of the borrowers and / or other persons. In addition, according to the expediency and the size of the loans, the Company accepts collateral as a means of securing them. However, the vast majority of loans are small loans to individuals where such collateral cannot be obtained. Such risks are monitored on an ongoing basis and are subject to annual or more frequent reviews.

c) Maximum value of debt risk

The maximum value of debt risk of the company fluctuates significantly and depends on individual risks and the risks of the overall market economy. The maximum risk on the offbalance sheet financial assets is equal to the carrying amount of those assets before any offsetting or collateral impact is taken into account.

Below is presented the maximum value of exposure of financial assets to debt risk as of the reporting date:

	Note	2023 AMD thousand	2022 AMD thousand
Cash and cash equivalents	12	6,265	3,498
Funds in banks	13	111,098	209,401
Loans to customers	14	1,890,794	1,775,048
Total		**2,008,157**	**1,987,947**

The carrying amount represents the maximum amount of financial asset exposed to debt risk, taking into account any collateral or personal guarantees acquired. The potential net effect of assets and liabilities on reducing credit impact is not significant. As of December 31, 2023 and 2022, the Company's debt assets are fully concentrated in the Republic of Armenia.

d) Market risk

Market risk is the risk of fluctuations in the fair value of a financial instrument or future cash flows arising from changes in market prices. Market risk includes currency, interest rate and other price risks. Market risk arises from open positions in interest rates and equity financial instruments, which are subject to general and individual market changes and to changes in market prices and exchange rates.

alysis of maturities of assets and liabilities

Thousand 2023

ASSETS	Up to one month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Cash and cash equivalents	6,329				6,329
Funds in banks	30,000		35,000	45,800	110,800
Loans to customers	317,543	19,874	115,091	1,438,284	1,890,792
Total assets	353,872	19,874	150,091	1,484,084	2,007,921
LIABILITIES					
Loans and borrowings involved	5,000	10,000	72,458	612,156	699,614
Lease liabilities	567	1,254	3,762	11,709	17,292
Profit tax liability			28,616		28,616
Other liabilities	38,354				38.354
TOTAL LIABILITIES	43,921	11,254	104,836	623,865	783,876
NET POSITION	309,951	8,620	45,255	860,219	1,224,045

D Thousand 2022

ASSETS	Up to one month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Cash and cash equivalents	3,534				3,534
Funds in banks	30,000	65,000	114,401		209,401
Loans to customers	273,428	21,567	175,029	1,305,024	1,775,048
Total assets	306,926	86,567	289,430	1,305,024	1,987,947
LIABILITIES					
Loans and borrowings involved	29,167	8,896	122,305	544,517	704,885
Lease liabilities	990	2,970	8,910	15,150	28,020
Profit tax liability			2,658		2,658
Other liabilities	26,637				26,637
TOTAL LIABILITIES	56,794	11,866	133,873	559,667	762,200
NET POSITION	250,132	74,701	155,557	745,357	1,225,747

f) Currency basket

Currency risk is the risk of fluctuations in the fair value of a financial instrument or future cash flows arising from changes in foreign exchange rates. The Company's foreign exchange risk arises mainly from exchange rate fluctuations related to USD loans, as a result of which the Company may incur significant losses. This risk is not, in fact, managed by the Company, taking into account its management costs and the lack of tools to manage such risks. As of December 31, the Company's net exposure to foreign exchange risk is presented below:

2023 AMD Thousand	AMD	USD	Total
ASSETS			
Cash and bank accounts	2,284	3,981	6,265
Funds in banks	111,098	-	111,098
Loans to customers	1,890,794	-	1,890,794
Total Assets	2,004,176	3,981	2,008,157
LIABILITIES			
Liabilities to banks			
Loans and borrowings involved	699,614	-	699,614
Other Liabilities	106,973	-	106,973
Total Liabilities	806,587		806,587
NET POSITION AS OF 31.12.2023	1,197,589	3,981	1,201,570

2022 AMD Thousand	AMD	USD	Total
ASSETS			
Cash and bank accounts	3,493	5	3,498
Funds in banks	209,401		209,401
Loans to customers	1,775,048		1,775,048
Total Assets	1,987,942	5	1,987,947
LIABILITIES			
Liabilities to banks			
Loans and borrowings involved	704,885		704,885
Other Liabilities	54,818		54,818
Total Liabilities	759,703		759,703
NET POSITION AS OF 31.12.2022	1,228,239	5	1,228,239

g) Interest rate risk

Interest rate risk is the risk of fluctuations in the fair value of a financial instrument or future cash flows arising from changes in market interest rates. Company is exposed to fluctuations in the prevailing market interest rates on its financial position and cash flows. Such fluctuations may increase the interest rate, but may also reduce or lead to losses in the event of an unexpected change in interest rates.

h) Liquidity risk

Liquidity risk arises from the management of the Company's own funds, financial expenses and repayments of principal amounts of debt instruments. Liquidity risk is associated with difficulties in repaying the Company's financial liabilities

Liquidity risk is the risk that the Company will not be able to repay its payment obligations under stressful and normal situations. To limit this risk, Management manages assets by taking into account liquidity risk and analyzes future cash flows and liquidity on a daily basis. This includes estimates of expected cash flows and the availability of highly liquid collateral, which can be used to provide additional funding if needed.

Company liquidity control is required to take into account the level of liquid assets which is necessary to repay the liabilities on time, as well as to provide access to various sources of financing, the availability of an emergency financing plan and to control the liquidity balance ratios.

The table below summarizes the Company's financial liabilities by maturity as of December 31, 2023, based on nondiscounted contractual liabilities. Demand payments are categorized on the assumption that they will be claimed immediately.

31/12/20223AMD Thousand	Demand up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	Total
Financial liabilities						
Liabilities to banks						
Borrowings involved	5,000	10,000	72,458	101,884	510,272	**699,614**
Other liabilities	38,354					**38,534**
Total undiscounted financial liabilities	**43,354**	**10,000**	**72,458**	**101,884**	**510,272**	**737,968**

31/12/2022 AMD Thoúsand	Demand up to 1 month	1-3 months	3-12 months	1-3 years	Over 3 years	Total
Financial liabilities						
Liabilities to banks						
Borrowings involved	29,167	8,896	122,305	124,297	420,220	**704,885**
Other liabilities	26,637					**26,637**
Total undiscounted financial liabilities	**55,804**	**8,896**	**122,305**	**124,297**	**420,220**	**731,522**

I) Capital risk management

The Company manages its capital to ensure the principle of continuity of the Company's activities, at the same time maximizing the compensation of stakeholders through the optimization of the involved and own funds balances. The Central Bank of Armenia defines and controls the capital requirements for the Company. According to the current capital requirements set by the Central Bank of Armenia, leasing credit Companies must provide a minimum total capital of 150,000 AMD thousand as of December 31, 2023 (December 31, 2022 150,000 AMD thousand). The following table analyzes the Company's capital resources for the purposes of capital adequacy.

	2023 AMD Thousand	2022 AMD Thousand
Loans and borrowings involved	699,614	704,885
Other liability	106,973	60,491
Withdrawal cash and their equivalents	(117,363)	(212,899)
Net debt	**689,224**	**552,477**
Equity	**1,240,846**	**1,259,114**
Net debt to equity ratio (%)	**56,38**	**43,9**

23 Contingencies and potential liabilities

Contradictions and ambiguities of tax legislation

The tax system of the Republic of Armenia is characterized by frequently changing legislation, which is often unclear and gives rise to misinterpretations. Tax accounting is subject to inspection and scrutiny by the competent authorities, which have the right to impose fines and penalties.

The management of the company believes that it has properly assessed the tax liabilities, based on official interpretations and clarifications of the laws. However, the competent authorities may have other comments, and the consequences for the Company could be significant if the competent authorities are able to apply their comments.

24 Analysis of geographical and economic sectors of the loan portfolio

AMD Thousand	2023		2022	
	Loans	**Density**	**Loans**	**Density**
Agriculture	951,616	50.3%	929,742	52.37 %
Trade	179,221	9.5%	192,422	10.84 %
Consumer loans	365,877	19.4%	425,729	23.98 %
Industry	104,525	5.5%	109,065	6.17 %
Service	47,873	2.5%	68,757	3.87 %
Construction and renovation	9,762	0.5%	8,439	0.47 %
Other branches of the economy	231,919	12.3%	40,894	2.30%
TOTAL	1,890,793	100.00 %	1,775,048	100.00 %

AMD Thousand	2023		2022	
	Loans	**Density**	**Loans**	**Density**
Yerevan	2,180	0.1%	4,873	0.27 %
Armavir	743,278	39.3%	645,611	36.38 %
Ararat	236,265	12.5%	226,196	12.75 %
Aragatsotn	36,467	1.9%	32,601	1.83 %
Kotayk	5,982	0.3%	7,776	0.44 %
Vayots Dzor	156,586	8.3%	154,673	8.71 %
Gegharkunik	299,598	15.8%	300,731	16,94 %
Syunik	303	0.0%	295	0.02%
Lori	410,134	21.7%	402,292	22.66%
TOTAL	1,890,793	100.0 %	1,775,048	100.0 %

The table below summarizes the analysis of loans provided by types of collateral acquired by the Company as of December 31, 2023 and December 31, 2022.

	Loans to customers in 2023 book value	Loans to customers in 2022 book value
Real Estate	188,149	167,220
Guarantee	1,531,751	1,596,960
Vehicles	595	675
Other fixed assets	161,646	260
Unsecured loans	8,652	9,933
Total	1,890,793	1,775,048

The table below provides information on the quality indicators of the loan portfolio provided to customers as of 31 December 2023 and 31 December 2022 in accordance with IFRS 9.

	2023			2022		
Loans at amortized cost	Gross	Provision	Net	Gross	Provision	Net
Term loans	**1,539,502**	**90,176**	**1,449,327**	**758,475**	**28,698**	**729,777**
Overdue and impaired loans	**957,389**	**515,922**	**441,467**	**1,690,063**	**644,793**	**1,045,271**
1 to 30 days overdue	14,464	2,700	11,764	569,667	44,742	524,925
31 to 60 days overdue	7,569	2,769	4,800	49,453	10,267	39,187
60 to 90 days overdue	6,736	3,528	3,209	34,554	10,185	24,369
91 and more overdue	928,620	506,925	421,694	1,036,389	579,599	456,790
Total	**2,496,891**	**606,098**	**1,890,793**	**2,448,538**	**673,491**	**1,775,048**

25 Related parties

The parties are considered related if one of them can control the other or have a significant influence on the other in making financial and operational decisions. In terms of the statements submitted, the related parties of the Company are its shareholders, members of the management, as well as other persons and Companies affiliated with them and supervised by them.

The Company carries out transactions with related parties during its activity. During the reporting period, borrowings were received from related parties, which are presented below:

	31.12.2022	Increase	Decrease	31.12.2023
Involved borrowings From ECLOF Foundation	180,000		(20,000)	160,000
Involved borrowings From ECLOF International Foundation	430,220		(25,000)	405,220
Total	**610,220**		**(45,000)**	**565,220**

26 Transactions with management

In the article "Personnel costs" (Note 8) the total salary of the management is included, which as of December 31, 2023 amounted to AMD 56,254 thousand (2022 AMD 52,997 thousand).

27 Events after the reporting date

No events or transactions occurred after the reporting date that could be significant to the Company's financial position or financial result.

ECLOF UCO LLC

Executive Director: **Tsolak Malkhasyan**

Expert Accountant: **Karine Papujyan**