
**NON-BANKING CREDIT ORGANISATION "VIATOR
MICROCREDIT AZERBAIJAN" LIMITED LIABILITY
COMPANY**

International Financial Reporting Standards
Financial Statements
and Independent Auditors' Report
as at 31 December 2021

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INDEPENDENT AUDITOR'S REPORT

To the Management Board of "Viator Microcredit Azerbaijan" Limited Liability Company:

Opinion

We have audited the accompanying financial statements of "Viator Microcredit Azerbaijan" Limited Liability Company (hereinafter the "Company"), which comprise the statement of financial position as at 31 December 2021 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting 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 (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The IFRS financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unqualified opinion on those financial statements on April 5, 2021.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercised professional judgment and maintained professional scepticism throughout the audit. We also:

- Identified and assessed 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 obtained 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.
- Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluated 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 communicated 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 identified during our audit.

We also provided those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

28 March 2022

Baku, the Republic of Azerbaijan



	Note	31 December 2021	31 December 2020 (restated)
Assets			
Cash and cash equivalents	7	109,993	393,452
Loans to customers	8	6,134,322	5,962,153
Property, equipment and intangible assets	9	355,798	382,238
Deferred tax asset	18	14,225	11,468
Other assets	10	71,072	74,369
Total assets		6,685,410	6,823,680
Liabilities and Equity			
Liabilities			
Term-borrowings	11	1,783,277	2,479,726
Debt securities in issue	12	500,000	-
Other liabilities	13	42,267	43,893
Total liabilities		2,325,544	2,523,619
Equity			
Charter capital	14	693,774	693,774
Revaluation surplus		117,672	131,976
Retained earnings		3,548,420	3,474,311
Total equity		4,359,866	4,300,061
Total liabilities and equity		6,685,410	6,823,680

Approved and signed on behalf of Management Board on 28 March 2022.

Aynur Aliyeva
Executive Director



Ruslan Garayev
Finance Manager

NBCO "VÍATOR MICROCREDIT AZERBAIJAN" LLC
Statement of Comprehensive Income
(in Azerbaijani Manats)

	Note	Year ended 31 December 2021	Year ended 31 December 2020 (restated)
Interest income calculated using the effective interest method	15	1,368,773	1,347,336
Interest expense	15	(56,173)	(43,703)
Net interest income before provision for impairment losses on interest bearing assets		1,312,600	1,303,633
Provision for impairment losses on interest bearing assets	8	(117,493)	(91,806)
Recovered amounts	8	420,526	350,037
Net interest income		1,615,633	1,561,864
Other income, net	16	3,209	1,871
Administrative and other operating expenses	17	(1,425,850)	(1,219,800)
Net foreign exchange loss		(695)	(1,111)
Profit before income tax		192,297	342,824
Income tax expense	18	(60,582)	(137,382)
Profit for the year		131,715	205,442
Other comprehensive income		-	-
Total comprehensive income for the year		131,715	205,442

Approved and signed on behalf of Management Board on 28 March 2022.

Aynur Aliyeva
Executive Director



Ruslan Garayev
Finance Manager

	Charter capital	Revaluation surplus	Retained earnings	Total equity
As at 1 January 2020 (restated)	693,774	146,280	3,254,565	4,094,619
Total comprehensive income for the year	-	-	205,442	205,442
Amortisation of revaluation surplus	-	(14,304)	14,304	-
As at 31 December 2020 (restated)	693,774	131,976	3,474,311	4,300,061
Total comprehensive income for the year	-	-	131,715	131,715
Dividends declared	-	-	(71,910)	(71,910)
Amortisation of revaluation surplus	-	(14,304)	14,304	-
As at 31 December 2021	693,774	117,672	3,548,420	4,359,866

Approved and signed on behalf of Management Board on 28 March 2022.

Aynur Aliyeva
Executive Director



Ruslan Garayev
Finance Manager

	Note	Year ended 31 December 2021	Year ended 31 December 2020 (restated)
Cash flows related to operating activities			
Interest received	15	1,401,276	1,333,270
Interest paid	15	(61,041)	(48,474)
Recovered amounts	8	420,526	350,037
Other receipts, net	16	3,209	7,415
Operating expenses paid	17	(1,384,243)	(1,118,164)
Income tax paid	18	(63,339)	(5,000)
Net cash from operating activities before changes in operating assets and liabilities		316,388	519,084
Net (increase)/decrease in operating assets:			
Loans to customers	8	(320,507)	(445,187)
Other assets	10	3,297	-
Net increase/(decrease) in operating liabilities:			
Other liabilities	13	10,577	-
Net cash from operating activities		9,755	73,897
Cash flows related to investing activities			
Acquisition of property, equipment and intangible assets	9	(28,164)	(80,947)
Net cash used in investing activities		(28,164)	(80,947)
Cash flows related to financing activities			
Issue of corporate bonds	12	500,000	-
Repayment of term-borrowings	11	(692,445)	(710,764)
Dividends paid		(71,910)	-
Net cash used in financing activities		(264,355)	(710,764)
Effect of exchange rate changes on cash and cash equivalents		(695)	(1,111)
Net decrease in cash and cash equivalents		(283,459)	(718,925)
Cash and cash equivalents at the beginning of the year	7	393,452	1,112,377
Cash and cash equivalents at the end of the year	7	109,993	393,452

Approved and signed on behalf of Management Board on 28 March 2022.

Aynur Aliyeva
Executive Director



Ruslan Garayev
Finance Manager

1 Company and Its Operations

"Viator Microcredit Azerbaijan" Limited Liability Company (the "Company") is a Non-Banking Credit Organisation, which was incorporated and registered in the Republic of Azerbaijan under the registration number TIN1400163551 on 30 December 2002. The Company is regulated by the Central Bank of the Republic of Azerbaijan (the "CBAR") and conducts its business under special license number 136-QB. The Company's primary business consists of loan origination. Under the existing license the Company does not have the right to obtain cash deposits as collateral. The head office of the Company is located in Ganja, the Republic of Azerbaijan.

As at 31 December 2021 the Company had 5 branches (31 December 2020: 5) and the average number of employees was 61 (2020: 62).

Registered address and place of operations of the Company. The registered address of the Company is 133 Bashir Safaroglu Street, Baku, the Republic of Azerbaijan and the location of its head office is N. Narimanov Ave., 132, Ganja, the Republic of Azerbaijan.

As at 31 December 2021 and 31 December 2020 100% shares of the Company is owned by Viator AS (Kingdom of Norway).

2 Operating Environment of the Company

The Company's operations are conducted in the Republic of Azerbaijan. In 2021 the Government of the Republic of Azerbaijan continues reforms regarding economic, legal, tax and regulatory frameworks. The economy of the country is sensitive to changes in oil and gas prices.

During 2020, the global economy was negatively impacted by the spread of the coronavirus (COVID-19) pandemic. During March-August 2020, restrictive lockdown measures regarding COVID-19 in many countries significantly reduced economic activity and aggregate spending levels. Social distancing and quarantine measures resulted in the closure of retail, transport, travel, catering, hotel, entertainment and other businesses. Moreover, oil prices tumbled to historic lows but fully recovered by the end of the period.

However, during 2021, increased worldwide vaccination resulted in softened quarantine restrictions, which in turn positively affected the global economy including economy of the Republic of Azerbaijan.

During 2020 and 2021, the CBAR continued to ease monetary conditions while maintaining the stability of the Azerbaijani manat, which was kept flat at 1.7000 for 1 USD throughout the period. As a result, the CBAR refinancing rate was reduced from 7.25% to 6.25% during 2020 and remained flat since then.

With the start of vaccination of Azerbaijani population on 16 January 2021 the Azerbaijani Government decided to gradually eliminate the special strict quarantine regime measures introduced in the previous year to combat the COVID-19 outbreak, such as travel restrictions, closure of business and other venues, lockdowns of certain areas throughout the country. Despite this relief of strict quarantine regime for preventing COVID-19, CBAR decided to prolong easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources.

The Company's management is monitoring changes in macroeconomic environment and taking precautionary measures it considers necessary in order to support the sustainability and development of the Company's business in the foreseeable future.

However, current forecasts and estimations of the management regarding economic environment may be different from actual results due to the fact that prediction of the future effect of the current economic conditions is relatively complicated.

3 Summary of Significant Accounting Policies

Basis of preparation of the Financial Statements. These financial statements (hereinafter the "financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The reporting date of the Company's financial statements is 31 December. These financial statements have been prepared on a historical cost basis, unless otherwise is indicated.

Presentation currency. All amounts in these financial statements are presented in Azerbaijani manat ("AZN"), which is presentation and functional currency of the Company, unless otherwise is indicated. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Presentation of statement of financial position in order of liquidity. The Company does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, analysis of financial assets and liabilities by their expected maturities is presented in Note 22.

Effect of COVID-19 pandemic. The Company continues to assess pandemic effect and changing micro and macroeconomic conditions on its activities, financial position and financial results.

Correction of discrepancy in the previous year's financial statements. As disclosed in Note 8 "Loans to Customers" and Note 11 "Term-Borrowings", according to the agreement signed with the CBAR on 1 August 2019 based on decree signed by President of the Republic of Azerbaijan on 28 February 2019, the CBAR have provided loan to the Company with 0.1% interest rate p.a. and for 5 years under the state guarantee in order to restructure loans to individuals with overdue days more than 360 as at the date of the Decree and issued starting 1 January 2012 till the date of the Decree with exposure of up to USD 10,000 or AZN 17,000. The Company has used these funds to provide loans with 1% interest rate p.a. to appropriate customers. The following discrepancy has been discovered in the recognition and subsequent measurement of the abovementioned loan from the CBAR:

- Due to the fact that the interest rate for the loan (0.1% p.a.) is below market rate, it has been recognised in the statement of financial position based on amortised cost method using inter-bank market rate for loans with 5 years maturity which is 7.18%. However, this is a special case and should not be treated as a regular operation activity of the Company due to the following facts: (i) Usage of the funds received from the CBAR is limited to certain government project, i.e. the Company may use them only to perform restructuring of certain loans negatively affected by devaluation in 2015-2016. (ii) It is a one-time operation and therefore can be classified as a non-operating activity of the Company.

Considering the abovementioned facts, instead of application of this approach both for funds borrowed from the CBAR and funds lent to customers, the Management decided to apply it for none of them and reverse adjustments made to the 2020 and 2019 balances of the affected financial statement lines. The discrepancy has been corrected by restating each of the affected financial statement line items for the prior years:

Impact on equity (increase/(decrease) in equity)	31 December 2020	1 January 2020
Assets		
Deferred tax asset	11,468	38,783
Total assets	11,468	38,783
Liabilities and Equity		
Liabilities		
Term-borrowings	142,511	193,917
Deferred tax liability	(17,035)	-
Total liabilities	125,476	193,917
Net impact on equity	(114,008)	(155,134)

3 Summary of Significant Accounting Policies (continued)

Impact on profit or loss (increase/(decrease) in profit)	Year ended 31 December 2020
Interest expense	51,406
Net interest income	51,406
Profit before income tax	51,406
Income tax expense	(10,280)
Net impact on profit for the year	41,126

Financial Instruments - key measurement terms. Fair value is 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 best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial Instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flows models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial Instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows:

- Level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

3 Summary of Significant Accounting Policies (continued)

The effective interest rate discounts cash flows of variable interest Instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial Instruments - initial recognition. All financial Instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets - classification and subsequent measurement

Measurement categories. The Company classifies and measures financial assets at AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Business model. The business model reflects how the Company manages the assets in order to generate cash flows - whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). **Financial assets-reclassification.** Financial Instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Reclassification. Financial Instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Impairment of financial assets. The Company measures ECL for debt Instruments measured at AC and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt Instruments measured at AC are presented in the statement of financial position net of the allowance for ECL.

The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

3 Summary of Significant Accounting Policies (continued)

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 22 for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in Note 22.

Write-off of financial assets. Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Derecognition of financial assets. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Modification of financial assets. The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously review renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

Financial liabilities - measurement categories. Financial liabilities are classified as subsequently measured at AC.

Derecognition of financial liabilities. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Cash and cash equivalents. Cash and cash equivalents consist of unrestricted balances on correspondent accounts. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Loans to customers. Loans to customers are recorded when the Company advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Company classifies loans to customers at amortised cost.

Impairment allowances are determined based on ECL models. Note 22 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

Property and equipment. Properties are stated at cost less accumulated depreciation and provision for impairment, where required.

3 Summary of Significant Accounting Policies (continued)

Costs of minor repairs and maintenance are expensed when incurred. The cost of replacing major parts or components of property and equipment items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Depreciation of an asset begins when it is available for use. Land and construction in progress are not depreciated. Depreciation on other items of property and equipment is calculated using straight-line method at the estimated annual rates ranging between the following:

	<u>Annual rates</u>
Buildings	7%
Vehicles	20%
Computers and communication equipment	33%
Furniture and fixtures	20%
Other	25%

The expected useful lives of property and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life unless scrap value is significant. The assets' residual values are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets. All of the Company's intangible assets have definite useful lives and primarily include capitalised computer software.

Acquired computer software licences are capitalised based on the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 5 to 10 years.

Leases. The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As at 31 December 2021 and 31 December 2020 the Company has no lease agreements which are subject to mandatory application of IFRS 16. Therefore the Management recognised all lease agreements as an operating leases for the years ended 31 December 2021 and 31 December 2020.

Prepayments. Prepayments to acquire assets are transferred to the carrying amount of the asset once the Company has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Company.

3 Summary of Significant Accounting Policies (continued)

Other prepayments are written off to profit or loss when the goods or services relating to the prepayments are received. If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in profit or loss for the year/period.

Prepayments of the Company have maturity dates less than one year and are recognised within other assets in the statement of financial position.

Term-borrowings. Term-borrowings include loans from resident and non-resident banks and other financial institutions with fixed maturities and fixed interest rates. Term-borrowings are subsequently carried at amortised cost.

Debt securities in issue. Debt securities in issue include bonds issued by the Company. Debt securities are stated at AC.

Charter capital. Charter capital is the amount of capital contributed by the shareholder. The Company may increase or decrease its charter capital with approval of the shareholder granted in accordance with law. As disclosed in Note 1, Viator AS (Kingdom of Norway) owns 100 percent of shares of the Company as at 31 December 2021 and 31 December 2020.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The accounting reports of the Company are the basis for profit distribution and other appropriations. Azerbaijan legislation identifies the basis of distribution as the current year net profit.

Interest income and expense recognition. Interest income and expense are recorded in profit or loss for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Company to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Company will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination.

The Company does not designate loan commitments as financial liabilities at fair value through profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied for the AC.

Interest expense is accrued on the borrowed funds and issued debt securities and recognised within "Interest expense" line in the statement of comprehensive income.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

3 Summary of Significant Accounting Policies (continued)

Contingencies. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the statement of financial position but is disclosed when an inflow of economic benefits is probable.

Staff costs and related contributions. Wages, salaries, contributions to the Republic of Azerbaijan State pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Corporate income taxes. Corporate income taxes have been provided for in the financial statements in accordance with the applicable legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognized on the profit or loss unless it relates to transactions that are recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Company does not recognise deferred tax liabilities on such temporary differences except to the extent that Management expects the temporary differences to reverse in the foreseeable future.

Deferred tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Taxes other than income tax. Taxes, other than on income, are recorded within operating expenses.

Foreign currency translation. The functional currency of the Company is the currency of the primary economic environment in which it operates. The functional and presentation currency of the Company is the national currency of the Republic of Azerbaijan, Azerbaijani Manat ("AZN").

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the Central Bank of the Republic of Azerbaijan ("CBAR") at the respective end of the reporting period. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the functional currency at year-end official exchange rates of the CBAR are recognised in profit or loss. All foreign exchange gains and losses are presented in the income statement within "Net foreign exchange loss". Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

3 Summary of Significant Accounting Policies (continued)

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

The applicable exchange rates used were:

	As of the year ended	
	31 December 2021	31 December 2020
Closing rate (AZN/USD)	1.7000	1.7000
Closing rate (AZN/EUR)	1.9265	2.0890

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Professional judgements which have the most significant effect on the amounts recognised in the financial statements and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include the following:

Useful lives of property, equipment and intangible assets. Management determines the estimated useful lives and related depreciation and amortisation charges for its property, equipment and intangible assets.

This estimate is based on projected period over which the Company expects to consume economic benefits from the asset. Management increases the depreciation charge where useful lives are less than previously estimated lives. The useful lives are reviewed at least at each financial year-end. Changes in any of the above conditions or estimates may result in adjustments to future depreciation rates.

Impairment of non-financial assets. Management assesses whether there are any indicators of possible impairment of all non-financial assets each reporting date based on events or circumstances that indicate the carrying value of assets may not be recoverable. Such indicators include changes in the Company's business plans, changes in commodity prices leading to unprofitable performances.

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow model.

Provision for expected credit losses of financial assets

The information about ECLs on the loans provided to customers is disclosed in Note 8 *Loans to Customers*.

The measurement of expected credit losses (ECL) reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (continued)

- Reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Estimation of amount and timing of future cash flows and collateral values to determine ECL and assessment of a significant increase in credit risk require judgement. The Company's ECL calculations are outputs of complex models with choice of variable inputs. Elements of the models are considered critical accounting judgements and estimations include:

- The Company's internal credit rating model, which determines PD for the individual grades;
- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs.

The amount of the allowance for impairment of loans to customers was AZN 2,207,538 and AZN 2,088,213 as at 31 December 2021 and 2020, respectively.

Amendment of the financial statements after issue. Any changes to these financial statements after issue require approval of the Company's management who authorised these financial statements for issue.

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies.

5 Adoption of New and Revised Standards and Interpretations

In the current year, the Company has adopted all of the applicable new and revised Standards and Interpretations issued by the International Accounting Standard Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods ended 31 December 2021. The following standards and interpretations are effective for the Company from 1 January 2021.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) was issued in August 2020 and introduces a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform.

The amendment introduces disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendment has no effect on the Company's financial statements.

6 New Accounting Pronouncements

At the date of authorization of these financial statements, other than the Standards and interpretations adopted by the Company in advance of their effective dates, the following interpretations were in issue but not yet effective.

IFRS 17 "Insurance contracts" was issued in May 2017 and replaced IFRS 4 "Insurance contracts". The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard.

6 New Accounting Pronouncements (continued)

An entity shall apply IFRS 17 "Insurance Contracts" to insurance contracts, including reinsurance contracts, it issues; reinsurance contracts it holds; and investment contracts with discretionary participation features it issues, provided the entity also issues insurance contracts.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted if both IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have also been applied.

Amendments to IAS 1 to clarify the classification of liabilities (issued in January 2020) provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments in Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and are to be applied retrospectively. Earlier application is permitted.

Reference to the Conceptual Framework – Amendments to IFRS 3 (issued in May 2020). The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately. At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (issued in May 2020) prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (issued in May 2020) specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.

General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

IFRS 1 "First-time Adoption of International Financial Reporting Standards". As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 "First-time Adoption of International Financial Reporting Standards". The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16 (a) of IFRS 1. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

6 New Accounting Pronouncements (continued)

IFRS 9 Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities. As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

“IAS 41 Agriculture” – Taxation in fair value measurements. As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 10 “Consolidated Financial Statements” and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

7 Cash and Cash Equivalents

	31 December 2021	31 December 2020 (restated)
Cash in hand in AZN	4,734	2,966
Cash in hand in USD	754	359
Total cash in hand	5,488	3,325
AZN denominated correspondent account balances	80,245	337,957
USD denominated correspondent account balances	23,680	51,540
EUR denominated correspondent account balances	580	630
Total bank accounts	104,505	390,127
Total cash and cash equivalents	109,993	393,452

8 Loans to Customers

Loans to customers are issued primarily to customers located within the Republic of Azerbaijan:

	31 December 2021	31 December 2020 (restated)
Agricultural sector	1,174,800	1,281,140
Trade sector	1,871,629	1,551,778
Service sector	862,252	3,129,498
Other sectors	4,525,583	2,154,361
Total loans to customers (gross)	8,434,264	8,116,777
Less: allowance for expected credit losses	(2,207,538)	(2,088,213)
Total loans to customers (net)	6,226,726	6,028,564
Deferred commission fee	(92,404)	(66,411)
Total loans to customers (net)	6,134,322	5,962,153

Analysis of changes in gross carrying value and corresponding ECL by loan categories during the year ended 31 December 2021 is as follows:

Gross carrying value - agricultural sector	Stage 1	Stage 2	Stage 3	Total
1 January 2021	148,347	13,692	1,119,101	1,281,140
New assets originated or purchased	207,300	-	3,200	210,500
Changes in accrued interest	10,031	(5,640)	(2,219)	2,172
Assets repaid	(218,073)	(4,889)	(93,396)	(316,358)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(223)	(1,809)	2,032	-
Assets recovered	-	-	3,222	3,222
Amounts written off	-	-	(5,876)	(5,876)
31 December 2021	147,382	1,354	1,026,064	1,174,800
Allowance on expected credit loss - agricultural sector	Stage 1	Stage 2	Stage 3	Total
1 January 2021	(202)	(2,986)	(817,760)	(820,948)
New assets originated or purchased	(783)	-	(650)	(1,433)
Changes in accrued interest	3	4	4	11
Unwinding of discount	(44)	(2)	(100)	(146)
Assets repaid	986	38	120,676	121,700
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	218	19	(237)	-
Remeasurement of ECL, net	(832)	2,852	(250,956)	(248,936)
Amounts written off	-	-	5,876	5,876
31 December 2021	(654)	(75)	(943,147)	(943,876)
Gross carrying value - trade sector	Stage 1	Stage 2	Stage 3	Total
1 January 2021	1,064,689	89,961	397,128	1,551,778
New assets originated or purchased	2,046,550	-	-	2,046,550
Changes in accrued interest	9,558	(4,803)	(2,249)	2,506
Assets repaid	(1,592,828)	(53,709)	(79,669)	(1,726,206)
Transfers to Stage 1	4,692	-	(4,692)	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(8,534)	(26,714)	35,248	-
Assets recovered	6,716	-	267	6,983

8 Loans to Customers (continued)

Gross carrying value - trade sector	Stage 1	Stage 2	Stage 3	Total
Amounts written off	(3,807)	-	(6,175)	(9,982)
31 December 2021	1,527,036	4,735	339,858	1,871,629
Allowance on expected credit loss - trade sector	Stage 1	Stage 2	Stage 3	Total
1 January 2021	(2,320)	(7,293)	(217,384)	(226,997)
New assets originated or purchased	(9,485)	-	-	(9,485)
Changes in accrued interest	(26)	47	72	93
Unwinding of discount	(175)	(21)	(128)	(324)
Assets repaid	8,122	985	49,884	58,991
Transfers to Stage 1	(422)	-	422	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	2,005	437	(2,442)	-
Remeasurement of ECL, net	(6,415)	5,581	(61,671)	(62,505)
Amounts written off	54	-	2,946	3,000
31 December 2021	(8,662)	(264)	(228,301)	(237,227)
Gross carrying value - service sector	Stage 1	Stage 2	Stage 3	Total
1 January 2021	2,352,991	232,037	544,470	3,129,498
New assets originated or purchased	923,900	-	-	923,900
Changes in accrued interest	(23,866)	(2,327)	(4,145)	(30,338)
Assets repaid	(2,999,741)	(49,968)	(98,482)	(3,148,191)
Transfers to Stage 1	134,905	(134,905)	-	-
Transfers to Stage 2	(2,366)	3,859	(1,493)	-
Transfers to Stage 3	(69,159)	(25,366)	94,525	-
Assets recovered	1,554	-	359	1,913
Amounts written off	(1,291)	(2,608)	(10,631)	(14,530)
31 December 2021	316,927	20,722	524,603	862,252
Allowance on expected credit loss - service sector	Stage 1	Stage 2	Stage 3	Total
1 January 2021	(1,024)	(35,609)	(354,208)	(390,841)
New assets originated or purchased	-	-	-	-
Changes in accrued interest	172	29	87	288
Unwinding of discount	(317)	(11)	(203)	(531)
Assets repaid	12,968	982	59,792	73,742
Transfers to Stage 1	(675)	675	-	-
Transfers to Stage 2	38	(38)	-	-
Transfers to Stage 3	2,660	746	(3,406)	-
Remeasurement of ECL, net	(14,269)	33,074	(182,391)	(163,586)
Amounts written off	2	22	7,914	7,938
31 December 2021	(445)	(130)	(472,415)	(472,990)

8 Loans to Customers (continued)

Gross carrying value - other sectors	Stage 1	Stage 2	Stage 3	Total
1 January 2021	1,020,849	686,231	447,281	2,154,361
New assets originated or purchased	5,293,200	2,600	5,100	5,300,900
Changes in accrued interest	29,265	(13,575)	6,952	22,642
Assets repaid	(2,791,681)	(33,470)	(126,692)	(2,951,843)
Transfers to Stage 1	539,226	(534,554)	(4,672)	-
Transfers to Stage 2	(34,422)	35,496	(1,074)	-
Transfers to Stage 3	(232,297)	(88,250)	320,547	-
Assets recovered	-	-	2,972	2,972
Amounts written off	(813)	-	(2,636)	(3,449)
31 December 2021	3,823,327	54,478	647,778	4,525,583

Allowance on expected credit loss - other sectors	Stage 1	Stage 2	Stage 3	Total
1 January 2021	(1,593)	(357,836)	(289,998)	(649,427)
New assets originated or purchased	(18,540)	(6)	(3,819)	(22,365)
Changes in accrued interest	(147)	11	84	(52)
Unwinding of discount	(428)	(18)	(385)	(831)
Assets repaid	6,723	361	67,380	74,464
Transfers to Stage 1	(1,162)	1,069	93	-
Transfers to Stage 2	572	(572)	-	-
Transfers to Stage 3	21,667	4,652	(26,319)	-
Remeasurement of ECL, net	(14,159)	351,371	(294,928)	42,284
Amounts written off	20	-	2,462	2,482
31 December 2021	(7,047)	(968)	(545,430)	(553,445)

Analysis of changes in gross carrying value and corresponding ECL by loan categories during the year ended 31 December 2020 is as follows:

Gross carrying value - agricultural sector	Stage 1	Stage 2	Stage 3	Total
1 January 2020	358,247	8,813	1,165,438	1,532,498
New assets originated or purchased	199,150	-	-	199,150
Changes in accrued interest	1,995.00	692.00	(252)	2,435
Assets repaid	(360,944)	(11,686)	(43,452)	(416,082)
Transfers to Stage 1	80,706	(34,196)	(46,510)	-
Transfers to Stage 2	(56,156)	65,944	(9,788)	-
Transfers to Stage 3	(74,651)	(15,875)	90,526	-
Assets recovered	-	-	-	-
Amounts written off	-	-	(36,861)	(36,861)
31 December 2020	148,347	13,692	1,119,101	1,281,140

Allowance on expected credit loss - agricultural sector	Stage 1	Stage 2	Stage 3	Total
1 January 2020	(31,529)	(1,987)	(719,904)	(753,420)
New assets originated or purchased	(746)	-	-	(746)
Changes in accrued interest	(3)	(39)	(4)	(46)
Unwinding of discount	(841)	(229)	(1,602)	(2,672)
Assets repaid	505	1,076	25,119	26,700
Transfers to Stage 1	(79)	24	55	-
Transfers to Stage 2	4,559	(7,326)	2,767	-

8 Loans to Customers (continued)

Allowance on expected credit loss - agricultural sector	Stage 1	Stage 2	Stage 3	Total
Transfers to Stage 3	4,386	6,649	(11,035)	-
Remeasurement of ECL, net	23,546	(1,154)	(123,249)	(100,857)
Amounts written off	-	-	10,093	10,093
31 December 2020	(202)	(2,986)	(817,760)	(820,948)
Gross carrying value - trade sector	Stage 1	Stage 2	Stage 3	Total
1 January 2020	798,942	7,338	317,295	1,123,575
New assets originated or purchased	1,611,050	-	-	1,611,050
Changes in accrued interest	12,325.00	3,614.00	1,778.00	17,717
Assets repaid	(1,100,322)	(42,810)	(41,770)	(1,184,902)
Transfers to Stage 1	385,450	(300,110)	(85,340)	-
Transfers to Stage 2	(536,975)	554,942	(17,967)	-
Transfers to Stage 3	(105,781)	(133,013)	238,794	-
Assets recovered	-	-	-	-
Amounts written off	-	-	(15,662)	(15,662)
31 December 2020	1,064,689	89,961	397,128	1,551,778
Allowance on expected credit loss - trade sector	Stage 1	Stage 2	Stage 3	Total
1 January 2020	(73,501)	(2,230)	(178,504)	(254,235)
New assets originated or purchased	(4,307)	-	-	(4,307)
Changes in accrued interest	(27)	(284)	(661)	(972)
Unwinding of discount	(2,432)	(1,256)	(1,565)	(5,253)
Assets repaid	505	1,076	25,119	26,700
Transfers to Stage 1	(698)	590	108	-
Transfers to Stage 2	36,924	(39,722)	2,798	-
Transfers to Stage 3	4,327	50,724	(55,051)	-
Remeasurement of ECL, net	36,889	(16,191)	(12,607)	8,091
Amounts written off	-	-	2,979	2,979
31 December 2020	(2,320)	(7,293)	(217,384)	(226,997)
Gross carrying value - service sector	Stage 1	Stage 2	Stage 3	Total
1 January 2020	2,109,810	238,611	446,262	2,794,683
New assets originated or purchased	3,445,300	-	-	3,445,300
Changes in accrued interest	28,045	4,376	1,817	34,238
Assets repaid	(2,967,349)	(97,883)	(46,730)	(3,111,962)
Transfers to Stage 1	548,072	(393,853)	(154,219)	-
Transfers to Stage 2	(649,981)	747,444	(97,463)	-
Transfers to Stage 3	(160,906)	(266,658)	427,564	-
Assets recovered	-	-	-	-
Amounts written off	-	-	(32,761)	(32,761)
31 December 2020	2,352,991	232,037	544,470	3,129,498
Allowance on expected credit loss - service sector	Stage 1	Stage 2	Stage 3	Total
1 January 2020	(164,656)	(72,025)	(265,695)	(502,376)
New assets originated or purchased	(2,114)	-	-	(2,114)
Changes in accrued interest	(13)	(315)	(532)	(860)

8 Loans to Customers (continued)

Allowance on expected credit loss - service sector	Stage 1	Stage 2	Stage 3	Total
Unwinding of discount	(4,131)	(1,312)	(1,412)	(6,855)
Assets repaid	505	1,076	25,119	26,700
Transfers to Stage 1	(194)	168	26	-
Transfers to Stage 2	22,476	(48,799)	26,323	-
Transfers to Stage 3	122,031	37,722	(159,753)	-
Remeasurement of ECL, net	25,072	47,876	14,069	87,017
Amounts written off	-	-	7,647	7,647
31 December 2020	(1,024)	(35,609)	(354,208)	(390,841)

Gross carrying value - other sectors	Stage 1	Stage 2	Stage 3	Total
1 January 2020	1,093,574	1,081,588	75,679	2,250,841
New assets originated or purchased	1,766,300	-	-	1,766,300
Changes in accrued interest	11,268	3,866	586	15,720
Assets repaid	(1,717,956)	(116,664)	(31,058)	(1,865,678)
Transfers to Stage 1	236,111	(213,838)	(22,273)	-
Transfers to Stage 2	(335,255)	620,920	(285,665)	-
Transfers to Stage 3	(33,193)	(689,641)	722,834	-
Assets recovered	-	-	-	-
Amounts written off	-	-	(12,822)	(12,822)
31 December 2020	1,020,849	686,231	447,281	2,154,361

Allowance on expected credit loss - other sectors	Stage 1	Stage 2	Stage 3	Total
1 January 2020	(96,078)	(326,405)	(42,484)	(464,967)
New assets originated or purchased	(1,138)	-	-	(1,138)
Changes in accrued interest	(15)	(1,514)	(656)	(2,185)
Unwinding of discount	(2,216)	(4,669)	(1,869)	(8,754)
Assets repaid	505	1,076	25,119	26,700
Transfers to Stage 1	(114)	114	-	-
Transfers to Stage 2	3,046	(8,428)	5,382	-
Transfers to Stage 3	51	15,171	(15,222)	-
Remeasurement of ECL, net	94,366	(33,181)	(261,242)	(200,057)
Amounts written off	-	-	974	974
31 December 2020	(1,593)	(357,836)	(289,998)	(649,427)

According to the agreement signed with the CBAR on 1 August 2019 based on decree signed by President of the Republic of Azerbaijan on 28 February 2019, the CBAR have provided loan to the Company with 0.1% interest rate and for 5 years under the state guarantee in order to restructure loans to individuals with overdue days more than 360 as at the date of the Decree and issued starting 1 January 2012 till the date of the Decree with exposure of up to USD 10,000 or AZN 17,000. The Company has used these funds to provide loans with 1% interest rate p.a. to appropriate customers.

As at 31 December 2021 and 31 December 2020 all loans were granted to individuals operating in the Republic of Azerbaijan. Included in loans to customers AZN 67,090 and AZN 70,110 as at 31 December 2021 and 31 December 2020, respectively, represent accrued interest receivable. During the years 2021 and 2020 cash inflows have been received from the recovered funds in the amount of AZN 420,526 and AZN 350,037 respectively.

9 Property, Equipment and Intangible Assets

	Land and buildings	Vehicles	Computers and communication equipment	Furniture and fixtures	Other	Intangible assets	Total
Cost							
1 January 2020	471,262	-	45,005	22,850	63,759	4,222	607,098
Additions	-	78,000	2,947	-	-	-	80,947
Disposals	-	-	-	(224)	-	-	(224)
31 December 2020	471,262	78,000	47,952	22,626	63,759	4,222	687,821
Additions	-	23,500	-	4,664	-	-	28,164
Disposals	-	-	(2,770)	(2,657)	(8,397)	-	(13,824)
31 December 2021	471,262	101,500	45,182	24,633	55,362	4,222	702,161
Accumulated depreciation							
1 January 2020	(130,317)	-	(45,005)	(22,850)	(54,065)	(4,222)	(256,459)
Depreciation expense	(33,166)	(11,236)	(807)	-	(4,139)	-	(49,348)
Accumulated depreciation of disposed items	-	-	-	224	-	-	224
31 December 2020	(163,483)	(11,236)	(45,812)	(22,626)	(58,204)	(4,222)	(305,583)
Depreciation expense	(33,015)	(17,702)	(973)	(433)	(2,481)	-	(54,604)
Accumulated depreciation of disposed items	-	-	2,770	2,657	8,397	-	13,824
31 December 2021	(196,498)	(28,938)	(44,015)	(20,402)	(52,288)	(4,222)	(346,363)
Net book value							
1 January 2020	340,945	-	-	-	9,694	-	350,639
31 December 2020	307,779	66,764	2,140	-	5,555	-	382,238
31 December 2021	274,764	72,562	1,167	4,231	3,074	-	355,798

10 Other Assets

	31 December 2021	31 December 2020 (restated)
Assets held for sale	70,798	73,800
Other prepayments	274	569
Total other assets	71,072	74,369

11 Term-Borrowings

	31 December 2021	31 December 2020 (restated)
Term-borrowings from local institutions	692,222	922,962
Term-borrowings from foreign institutions	1,091,055	1,556,764
Total term-borrowings	1,783,277	2,479,726

Included in borrowings AZN 2,470 and AZN 6,471 as at 31 December 2021 and 31 December 2020 respectively, represent accrued interest payable.

On 5 August 2016, the Company signed the inter-creditor agreement with lenders. In relation to this agreement no creditor will take any enforcement action with respect to any debt from the date of this agreement until all loans have fully been repaid to each creditor. Each creditor agreed to reduce the rate of interest payable in respect of its loan to 5% effective as of 1 August 2016. All borrowed funds had been converted to US dollars at the rate of exchange USD 1.00 = EUR 0.8948 and USD 1.00 = AZN 1.5851, as at 1 August 2016, respectively and repayment schedules were rescheduled. During the restructuring period, the Borrower may obtain new debt or equity financing for its operations from domestic or international sources. From that date three amendments have been signed to the contract. According to first amendment which has been signed 30 June 2017, each creditor agrees to reduce the rate of interest payable from formerly agreed 5% to 2% as of 1 July 2017. According to second amendment which has been signed 28 February 2018, each creditor agrees to waive its right to charge and to receive any interest payable in respect of its loan from 1 March 2018, and up to 28 February 2019. Third amendment which has been signed on 30 June 2018, agreement between parties to adjust repayment dates of principal amount.

Borrowings from local institutions represent loan from the CBAR. On 1 August 2019, according to decree signed by President of the Republic of Azerbaijan on 28 February 2019, loan agreement has been signed between the Company and the CBAR. According to the agreement the CBAR have provided loan to the Company with 0.1% interest rate and for 5 years under the state guarantee in order to restructure loans to individuals with overdue days more than 360 as at the date of the Decree and issued starting 1 January 2012 till the date of the Decree with exposure of up to USD 10,000 or AZN 17,000. The CBAR granted the loan to the Company on 29 December 2019 which amounted to AZN 922,962.

12 Debt Securities in Issue

	31 December 2021	31 December 2020 (restated)
Bonds issued on domestic market	500,000	-
Total debt securities in issue	500,000	-

The Company has issued corporate unsecured bonds in the amount of AZN 250,000, 250 bonds with face value of AZN 1,000 twice, on 4 August 2021 and 3 December 2021. These issues were registered with the State Committee for Securities under identification codes AZ2003021536 and AZ2003021535 respectively. Bonds have 12 months of maturity with an annual coupon rate of 14% payable monthly. CPM-Invest Investment Company is performing as the underwriter for the issues.

13 Other Liabilities

	31 December 2021	31 December 2020 (restated)
Accruals for unused vacations	3,688	3,762
Payables on taxes and social charges	36,909	26,721
Other	1,670	13,410
Total other liabilities	42,267	43,893

14 Charter Capital

As at 31 December 2021 and 31 December 2020 charter capital consisted of 100 shares with par value of AZN 6,937.74 each. 100% shares of the Company is owned by Viator AS (Kingdom of Norway).

15 Interest Income and Expense

	Year ended 31 December 2021	Year ended 31 December 2020 (restated)
Interest income comprises:		
Interest income on assets recorded at amortised cost	1,368,773	1,347,336
Total interest income	1,368,773	1,347,336
Interest income		
Loans to customers	1,368,773	1,347,336
Total interest income	1,368,773	1,347,336
Interest expense comprises:		
Interest expense on liabilities recorded at amortized cost	(56,173)	(43,703)
Total interest expense	(56,173)	(43,703)
Interest expense		
Term-borrowings	(39,200)	(43,703)
Debt securities issued	(16,973)	-
Total interest expenses	(56,173)	(43,703)
Net interest income before provision for impairment losses on interest bearing assets	1,312,600	1,303,633

16 Other Income

Other income net of other expenses amounted to AZN 3,209 (2020: AZN 1,871) and mainly comprise fees on various services to customers and various charges applied to employees.

17 Administrative and Other Operating Expenses

	Year ended 31 December 2021	Year ended 31 December 2020 (restated)
Staff costs	1,081,794	946,941
Depreciation expense	54,601	49,348
Security expenses	50,649	50,145
Bank commission	21,666	17,870
Rent expenses	21,548	18,317
Utilities	19,714	13,829
Insurance expenses	15,257	7,373

17 Administrative and Other Operating Expenses (continued)

	Year ended 31 December 2021	Year ended 31 December 2020 (restated)
Office supplies	12,362	9,034
Communication expenses	10,548	10,652
Institutional development costs	8,983	21,802
Professional service fees	8,438	12,283
Repair and maintenance	5,944	5,691
Business trip expenses	5,397	7,758
Taxes other than income tax expense	2,880	323
Training expenses	980	6,767
Legal and court fees	-	2,340
Others	105,089	39,327
Total administrative and other operating expenses	1,425,850	1,219,800

18 Income Tax Expense

Income tax expense comprises the following:

	Year ended 31 December 2021	Year ended 31 December 2020 (restated)
Current income tax:		
Current income tax charge	(63,339)	(77,734)
Deferred tax:		
Relating to origination and reversal of temporary differences	2,757	(59,648)
Income tax benefit/(expense)	(60,582)	(137,382)

The income tax rate applicable to the Company's 2021 and 2020 income is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

	Year ended 31 December 2021	Year ended 31 December 2020 (restated)
Profit before tax	192,297	342,824
Statutory income tax rate of 20% (2020: 20%)	(38,459)	(68,565)
Tax effect of non-taxable income/(non-deductible expenses)	(22,123)	(68,817)
Income tax benefit/(expense)	(60,582)	(137,382)

Differences between IFRS and Azerbaijani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2020: 20%).

	Statement of financial position		Statement of comprehensive income	
	31 December 2021	31 December 2020 (restated)	Year ended 31 December 2021	Year ended 31 December 2020 (restated)
Loans to customers	34,263	29,064	5,199	10,173
Property, equipment and intangible assets	(332)	(332)	-	(5,707)
Other assets	11,882	11,882	-	(14)
Term-borrowings	841	841	-	(36,939)

18 Income Tax Expense (continued)

	Statement of financial position		Statement of comprehensive income	
	31 December 2021	31 December 2020 (restated)	Year ended 31 December 2021	Year ended 31 December 2020 (restated)
Other liabilities	1,666	4,108	(2,442)	6,934
Revaluation surplus	(34,095)	(34,095)	-	(34,095)
Income tax benefit/(expense)			2,757	(59,648)
Net deferred tax asset	14,225	11,468		

19 Dividends

	2021	2020
Dividends payable at 1 January	-	-
Dividends declared during the year	71,910	-
Dividends paid during the year	(71,910)	-
Dividends payable at 31 December	-	-

All dividends are declared and paid in Azerbaijani Manats.

20 Contingencies and Commitments

Compliance with requirements of the CBAR. The Company has to comply with rules and requirements set by the CBAR in accordance with the Law on Non-Banking Credit Organizations and other normative acts. The Company was in compliance with the rules and requirements set by the CBAR as at 31 December 2021 and 31 December 2020.

Capital commitments. The Company had no material commitments for capital expenditures outstanding as at 31 December 2021 and 31 December 2020.

Legal proceedings. From time to time and in the normal course of operations, claims against the Company may be received. On the basis of its own estimates and both internal professional advice management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax legislation. Azerbaijan tax, currency and customs legislation is subject to varying interpretations, and changes, which may occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant authorities.

Fiscal periods remain open to review by the tax authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances such reviews may cover longer periods.

The Company's management believes that its interpretation of the relevant legislation is appropriate and the Company's tax, currency legislation and customs positions will be sustained and potential tax liabilities of the Company will not exceed the amounts recorded in these financial statements. Accordingly, at 31 December 2021 and 31 December 2020 no provision for potential tax liabilities had been recorded.

21 Balances and Transactions with Related Parties

For the purposes of these financial statements, parties are generally considered to be related if the parties are directly or indirectly under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions.

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

21 Balances and Transactions with Related Parties (continued)

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties. Transactions with related parties may not be considered compatible to the conditions of the transactions between commercially independent parties. The Company had the following balances with related parties outstanding as at 31 December 2021 and 31 December 2020:

	31 December 2021		31 December 2020 (restated)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers		6,134,322		5,962,153
- Key management personnel *	19,951		11,986	
Term-borrowings		1,783,277		2,479,726
- Entities with joint control or significant influence over the entity **	42,630		58,639	

The Company had the following transactions with related parties for the years ended 31 December 2021 and 31 December 2020:

	Year ended 31 December 2021		Year ended 31 December 2020 (restated)	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Interest income		1,789,299		1,697,373
- Key management personnel *	1,051		1,940	
Interest expense		56,173		43,703
- Entities with joint control or significant influence over the entity **	1,070		1,722	
Staff costs		1,081,794		946,941
- Key management personnel *	254,081		222,985	

* Key management personnel of the Company consists of Chairman and Deputy Chairman of the Management Board.

** Entities with joint control or significant influence over the entity comprise Normisjon Region East and Normisjon Nordland Eiendom AS which are two separate legal entities and affiliated parties of Normisjon network.

22 Financial Risk Management

The Company's principal financial liabilities comprise term-borrowings and debt securities in issue. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include cash and cash equivalents and loans to customers that derive directly from its operations. The Company is exposed to credit risk, market risk and liquidity risk.

22 Financial Risk Management (continued)

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's management in close cooperation with the Company's operating units. The management takes all necessary steps to mitigate these risks to a minimum acceptable level.

Credit risk. The Company takes on exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparties giving rise to financial assets.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position, as presented in the following tables:

31 December 2021			
	Maximum exposure	Collateralised by liquid assets	Net exposure after collateral pledged
Loans to customers	6,134,322	5,501,992	632,330
31 December 2020 (restated)			
	Maximum exposure	Collateralised by liquid assets	Net exposure after collateral pledged
Loans to customers	5,962,153	4,928,358	1,033,795

Credit risk management. Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. The principal credit risk management methods used is described in the formal Credit Policy adopted and implemented by the Company. These include the setting of limits and the diversification of the credit portfolio based upon defined criterion (such as industry, duration, related persons, region, etc.). All restrictions and norms issued by the Central Bank of Azerbaijan ("CBAR"), related to lending operations, have also been carefully considered and embedded into the Company's credit policy.

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Company: Exposure at Default ("EAD"), Probability of Default ("PD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EADs are determined based on the expected payment profile that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

PD is an estimate of the likelihood of default to occur over a given time period. Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate.

22 Financial Risk Management (continued)

Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument.

For purposes of measuring PD, the Company defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower meets the unlikeliness-to-pay criteria listed below:
 - the Company was forced to restructure the debt;
 - the borrower is deceased;
 - the borrower is insolvent or it is becoming likely that the borrower will be insolvent;
 - the loans originated at a deep discount that reflects the incurred credit losses.

The Company considers a financial instrument to have experienced a significant increase in credit risk ("SICR") when one or more of the following quantitative, qualitative or backstop criteria have been met:

- 30 days past due;
- inclusion of loan into a watch list according to the internal credit risk monitoring process.
- Relative threshold defined on the basis of a portfolio: the Company regularly monitors segments with increased credit risk (regions of higher credit risk, failed products, products on which issuing was stopped) and considers such portfolios to have a SICR.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period.

The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2, but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Company monitors whether that indicator continues to exist or has changed.

The Company measures ECL on a portfolio basis: the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio. This approach stratifies the loan pool into homogeneous segments based on borrower-specific information, such as delinquency status, the historical data on losses, location and other predictive information.

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 risks the Company is mainly exposed comprise interest rate risk and currency risk.

Interest rate risk. The Company takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

22 Financial Risk Management (continued)

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable":

	31 December 2021		31 December 2020 (restated)	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Financial assets				
Loans to customers	61,343	(61,343)	59,622	(59,622)
Financial liabilities				
Term-borrowings	(17,833)	17,833	(24,797)	24,797
Debt securities in issue	(5,000)	5,000	-	-
Net impact on profit before income tax	38,510	(38,510)	34,825	(34,825)

Currency risk. Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company's exposure to foreign currency exchange rate risk is presented in the tables below:

	AZN	USD	EUR	Total
Financial assets				
Cash and cash equivalents	84,979	24,434	580	109,993
Loans to customers	5,994,771	139,551	-	6,134,322
	<u>6,079,750</u>	<u>163,985</u>	<u>580</u>	<u>6,244,315</u>
Financial liabilities				
Term-borrowings	692,222	1,091,055	-	1,783,277
Debt securities in issue	500,000	-	-	500,000
Other financial liabilities	-	-	-	-
	<u>1,192,222</u>	<u>1,091,055</u>	<u>-</u>	<u>2,283,277</u>
Net currency position as at 31 December 2021	4,887,528	(927,070)	580	3,961,038
	AZN	USD	USD	Total
Financial assets				
Cash and cash equivalents	341,614	51,187	651	393,452
Loans to customers	5,631,344	330,809	-	5,962,153
	<u>5,972,958</u>	<u>381,996</u>	<u>651</u>	<u>6,355,605</u>
Financial liabilities				
Term-borrowings	922,962	1,556,764	-	2,479,726
Debt securities in issue	-	-	-	-
Other financial liabilities	12,000	-	-	12,000
	<u>934,962</u>	<u>1,556,764</u>	<u>-</u>	<u>2,491,726</u>
Net currency position as at 31 December 2020 (restated)	5,037,996	(1,174,768)	651	3,863,879

22 Financial Risk Management (continued)

The following table details the Company's sensitivity to a 10% increase and decrease in the USD and EUR against AZN. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates.

	31 December 2021		31 December 2020 (restated)	
	AZN/USD +10%	AZN/USD -10%	AZN/USD +10%	AZN/USD -10%
Impact on profit or loss	(92,707)	92,707	(117,477)	117,477
Impact on equity	(92,707)	92,707	(117,477)	117,477

	31 December 2021		31 December 2020 (restated)	
	AZN/EUR +10%	AZN/EUR -10%	AZN/EUR +10%	AZN/EUR -10%
Impact on profit or loss	58	(58)	65	(65)
Impact on equity	58	(58)	65	(65)

Geographical concentration. The geographical concentration of financial assets and liabilities is set out below:

	The Republic of Azerbaijan	OECD countries	Total
Financial assets			
Cash and cash equivalents	109,993	-	109,993
Loans to customers	6,134,322	-	6,134,322
	<u>6,244,315</u>	-	<u>6,244,315</u>
Financial liabilities			
Term-borrowings	692,222	1,091,055	1,783,277
Debt securities in issue	500,000	-	500,000
Other financial liabilities	-	-	-
	<u>1,192,222</u>	<u>1,091,055</u>	<u>2,283,277</u>
Net position as at 31 December 2021	5,052,093	(1,091,055)	3,961,038

	The Republic of Azerbaijan	OECD countries	Total
Financial assets			
Cash and cash equivalents	393,452	-	393,452
Loans to customers	5,962,153	-	5,962,153
	<u>6,355,605</u>	-	<u>6,355,605</u>
Financial liabilities			
Term-borrowings	922,962	1,556,764	2,479,726
Debt securities in issue	-	-	-
Other financial liabilities	12,000	-	12,000
	<u>934,962</u>	<u>1,556,764</u>	<u>2,491,726</u>
Net position as at 31 December 2020 (restated)	5,420,643	(1,556,764)	3,863,879

22 Financial Risk Management (continued)

Liquidity risk. Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities. It refers to the availability of sufficient funds to meet financial commitments associated with financial instruments as they actually fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The maturity analysis of financial instruments at 31 December 2021 and 31 December 2020 is as follows:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents	109,993	-	-	-	-	109,993
Loans to customers	146,238	98,898	1,852,203	4,036,983	-	6,134,322
	<u>146,238</u>	<u>98,898</u>	<u>1,852,203</u>	<u>4,036,983</u>	-	<u>6,134,322</u>
Financial liabilities						
Term-borrowings	2,470	-	-	1,780,807	-	1,783,277
Debt securities in issue	-	-	500,000	-	-	500,000
Other financial liabilities	-	-	-	-	-	-
	<u>2,470</u>	-	<u>500,000</u>	<u>1,780,807</u>	-	<u>2,283,277</u>
Liquidity gap as at 31 December 2021	143,768	98,898	1,352,203	2,256,176	-	3,851,045
Cumulative liquidity gap as at 31 December 2021	143,768	242,666	1,594,869	3,851,045	3,851,045	
	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Financial assets						
Cash and cash equivalents	393,452	-	-	-	-	393,452
Loans to customers	1,085,677	1,014,459	2,270,001	1,589,432	2,584	5,962,153
	<u>1,479,129</u>	<u>1,014,459</u>	<u>2,270,001</u>	<u>1,589,432</u>	<u>2,584</u>	<u>6,355,605</u>
Financial liabilities						
Term-borrowings	-	66,471	180,000	2,233,255	-	2,479,726
Debt securities in issue	-	-	-	-	-	-
Other financial liabilities	6,000	6,000	-	-	-	12,000
	<u>6,000</u>	<u>72,471</u>	<u>180,000</u>	<u>2,233,255</u>	-	<u>2,491,726</u>
Liquidity gap as at 31 December 2020 (restated)	1,473,129	941,988	2,090,001	(643,823)	2,584	3,863,879
Cumulative liquidity gap as at 31 December 2020 (restated)	1,473,129	2,415,117	4,505,118	3,861,295	3,863,879	

23 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- level one is measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and
- level three measurements are valuations not based on observable market data (that is, unobservable inputs).

23 Fair Value of Financial Instruments (continued)

Management applies judgement in categorising financial instruments using the fair value hierarchy.

If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Assets and liabilities not measured at fair value but for which fair value is disclosed

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term nature concluding of such financial instrument's contracts on market terms. Fair value of loans to customers, term-borrowings and debt securities in issue is determined as Level 2 category and have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Management consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

24 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) debt Instruments at FVOCI, (c) equity Instruments at FVOCI and (d) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently.

As at 31 December 2021 and 31 December 2020, financial assets of the Company comprise cash and cash equivalents and loans to customers which are classified as financial assets at AC.

25 Events After the Reporting Period

No significant events occurred after the reporting period.

LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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