

“BANK RESPUBLIKA” OJSC

**Condensed Consolidated Interim Financial Statements
and Independent Auditor’s Report**

30 June 2025

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Independent Auditor's Report

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Independent Auditor's Report of Condensed Consolidated Interim Financial Statements

To the Shareholders and the Board of Directors of Bank Respublika OJSC:

Our opinion

In our opinion, the condensed consolidated interim financial statements of Bank Respublika OJSC (the "Bank") and its subsidiary (together – the "Group") are prepared, in all material respects, in accordance

What we have audited

The Group's condensed consolidated interim financial statements comprise:

- the condensed consolidated interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2025;
- the condensed consolidated interim statement of financial position as at 30 June 2025;
- the condensed consolidated interim statement of cash flows for the six-month period then ended;
- the condensed consolidated interim statement of changes in equity for the six-month period then ended; and
- the notes to the condensed consolidated interim financial statements, comprising material accounting policy information and other explanatory information.

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 condensed consolidated interim financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

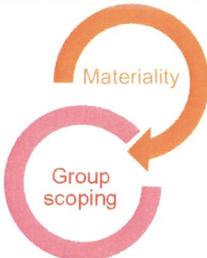
Emphasis of Matter - Basis of accounting and restriction on distribution and use

We draw attention to Note 3 to the condensed consolidated interim financial statements, which describes the basis of accounting. The condensed consolidated interim financial statements are prepared for the purpose of review of financial position and performance of the Group by international financial institutions from which the Group has borrowings and by the state regulators. As a result, the condensed consolidated interim financial statements may not be suitable for another purpose.

These condensed consolidated interim financial statements, prepared in accordance with IAS 34, "Interim Financial Reporting", do not include all of the disclosures required by IFRS Accounting Standards. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

	<ul style="list-style-type: none"> Overall Group materiality: AZN 1,720 thousand, which represents 5% of profit before tax from continuing operations. We have undertaken a full-scope audit of the Bank's interim financial results and performed limited audit procedures on the subsidiary included in the condensed consolidated interim financial statements of the Group.
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the condensed consolidated interim financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the condensed consolidated interim financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the condensed consolidated interim financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the condensed consolidated interim financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the condensed consolidated interim financial statements as a whole.

Overall Group materiality	AZN 1,720 thousand
How we determined it	5% of profit before tax from continuing operations
Rationale for the materiality benchmark applied	We chose profit before tax from continuing operations as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented entities in this sector.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above AZN 172 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the condensed consolidated interim financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



The subsidiary of the Bank is a non-significant component classified as disposal groups, therefore only material balances and transactions of the subsidiary included in the condensed consolidated interim financial statements of the Group were covered through limited audit procedures.

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

Management is responsible for the preparation of these condensed consolidated interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting", for determining that the basis of preparation is acceptable in the circumstances and for such internal control as management determines is necessary to enable the preparation of condensed consolidated interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the condensed consolidated interim financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the condensed consolidated interim financial statements

Our objectives are to obtain reasonable assurance about whether the condensed consolidated interim 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 condensed consolidated interim financial statements.

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

- Identify and assess the risks of material misstatement of the condensed consolidated interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 condensed consolidated interim 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 Group to cease to continue as a going concern.



- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the condensed consolidated interim financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

The engagement partner on the audit resulting in this independent auditor's report is Aigule Akhmetova.

Price waterhouse coopers Audit Azerbaijan Ua

Baku, the Republic of Azerbaijan

4 September 2025

Bank Respublika OJSC**Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income for the six-month period***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)*

	Note	Six months ended 30 June 2025	Six months ended 30 June 2024
Interest income calculated using the effective interest method	6	135,843	107,544
Interest expense	6	(49,811)	(37,405)
Net interest income		86,032	70,139
Credit loss allowance recovery of assets carried at amortized cost	7	4,283	808
Net interest income after credit loss allowance		90,315	70,947
Fee and commission income	9	15,176	14,140
Fee and commission expense	9	(11,396)	(11,192)
Gains less losses on foreign exchange operations and translation	8	5,558	4,439
Impairment losses on other non-financial assets		(467)	-
Losses less gains from financial derivatives	16	(4,511)	(3,277)
Other income		428	563
Net non-interest income		4,788	4,673
Operating income from banking activity		95,103	75,620
Operating expenses	10	(57,996)	(44,527)
Profit before income tax from continuing operations		37,107	31,093
Income tax expense	11	(8,039)	(6,682)
Profit for the period from continuing operations		29,068	24,411
Discontinued operations			
Profit for the period from discontinued operations		32	451
PROFIT FOR THE PERIOD		29,100	24,862
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		29,100	24,862
Profit attributable to:			
- Owners of the Parent		29,098	24,791
- Non-controlling interest		2	71
Profit for the period		29,100	24,862
Total comprehensive income attributable to:			
- Owners of the Parent		29,098	24,791
- Non-controlling interests		2	71
Total comprehensive income for the period		29,100	24,862
Earnings per share for profit attributable to the owners of the Parent, basic and diluted (expressed in AZN per share)		0.964	0.820

The condensed consolidated interim financial statements as set out on pages 5 to 61 were approved by management on 04 September 2025 and were signed on its behalf by:

Mr. Tariyel Ismayilov
Chairman of the Management Board



Mr. Javid Rzayev
Head of Finance Department

Bank Respublika OJSC**Condensed Consolidated Interim Statement of Financial Position***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)*

	Note	30 June 2025	31 December 2024
ASSETS			
Cash and cash equivalents	12	701,041	373,473
Due from other banks	13	178,120	155,279
Loans to customers	14	1,522,011	1,456,128
Investment securities	15	124,649	60,548
Derivative financial assets	16	4,292	3,465
Property and equipment and right of use assets	17	50,838	49,673
Intangible assets	17	3,033	3,231
Reposessed collateral	19	1,133	1,049
Other financial assets	18	20,435	17,539
Other assets	18	8,708	8,086
Goodwill		-	467
Disposal groups		818	1,779
TOTAL ASSETS		2,615,078	2,130,717
LIABILITIES			
Amounts due to credit institutions	20	51,622	20,121
Amounts due to customers	21	1,618,371	1,372,384
Other borrowed funds	23	671,504	484,019
Lease liabilities	17	5,612	5,951
Derivative financial liabilities	16	3,344	2,518
Other financial liabilities	26	14,934	6,745
Other liabilities	26	16,513	20,466
Current income tax liability		2,378	4,806
Bonds issued	24	8,536	-
Subordinated borrowings	22	28,851	37,409
Deferred income tax liabilities	11	1,278	388
Liabilities directly associated with disposal groups held for sale		-	316
TOTAL LIABILITIES		2,422,943	1,955,123
EQUITY			
Share capital	27	73,961	73,961
Revaluation reserve for buildings		10,682	10,682
Other reserve		2,441	2,441
Retained earnings		104,232	87,692
Total equity attributable to owners of the Parent		191,316	174,777
Non-controlling interest		819	817
TOTAL EQUITY		192,135	175,594
TOTAL LIABILITIES AND EQUITY		2,615,078	2,130,717

Mr. Tariyel Ismayilov
Chairman of the Management Board

Bank Respublika
Open Joint-Stock Company

Mr. Javid Rzayev
Head of Finance Department

Bank Respublika OJSC
Condensed Consolidated Interim Statement of Cash Flows for the six-month period
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

	Note	30 June 2025	30 June 2024
Cash flows from operating activities			
Interest received		134,522	106,640
Interest paid		(26,003)	(24,846)
Fees and commissions received		15,176	14,140
Fees and commissions paid		(11,396)	(11,192)
Realized gains less losses from exchange transactions in foreign currencies		5,665	3,844
Personnel expenses paid		(40,362)	(20,397)
Administrative expenses paid		(15,592)	(10,484)
Payments on operations with foreign currency derivatives		(4,512)	(3,297)
Other operating income received		348	249
Income tax paid		(9,576)	(6,664)
Cash flows from operating activities before changes in operating assets and liabilities		48,270	47,993
<i>Net (increase)/decrease in operating assets</i>			
Due from other banks		(23,300)	(22,343)
Loans to customers		(61,541)	(69,961)
Repossessed collateral		(84)	7
Other assets		(3,535)	(9,742)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to credit institutions		30,774	38,729
Amounts due to customers		244,457	44,900
Other liabilities		4,840	(1,212)
Net cash flows from operating activities - Continued operations		239,881	28,371
Net cash (used in)/from operating activities - Discontinued operations		(292)	824
Net cash flows from operating activities		239,589	29,195
Cash flows from investing activities			
Purchase of property and equipment		(3,635)	(1,569)
Acquisition of intangible assets		(132)	(789)
Proceeds from disposal of property and equipment		22	143
Acquisition of non-controlling interest		-	(620)
Purchase of debt securities		(105,012)	(13,633)
Proceeds from redemption of debt securities carried at amortised cost		41,367	24,730
Interest income received on investments in debt securities		2,371	446
Net cash (used in)/from investing activities - Continued operations		(65,019)	8,708
Net cash from/(used in) investing activities - Discontinued operations		373	(483)
Net cash (used in)/from investing activities		(64,646)	8,225
Cash flows from financing activities			
Proceeds from other borrowed funds	25	501,635	110,123
Repayment of other borrowed funds	25	(316,917)	(73,464)
Interest expense paid on other borrowed funds	25	(16,880)	(9,247)
Proceeds from subordinated borrowings	25	-	3,400
Repayment of subordinated borrowings	25	(8,500)	-
Interest expense paid on subordinated borrowings	25	(1,717)	(1,582)
Repayment of principal lease liabilities	25	(714)	(883)
Proceeds from bonds issue	25	8,500	-
Redemption of issued bonds	25	-	(35,000)
Interest expense paid on issued bond	25	(181)	(1,488)
Dividends paid	27	(12,558)	(10,415)
Net cash from/(used in) financing activities - Continued operations		152,669	(18,556)
Net cash used in financing activities - Discontinued operations		(17)	(77)
Net cash from/(used in) financing activities		152,652	(18,633)
Net increase in cash and cash equivalents		327,594	18,787
Effect of changes in exchange rates on cash and cash equivalents		(107)	660
Cash and cash equivalents at the beginning of the period		373,473	593,360
Cash and cash equivalents at the end of the period		700,960	612,807

AZN 81 thousand (30 June 2024: AZN 755 thousand) of cash and cash equivalents is attributable to the subsidiary and included within disposal groups.

Bank Respublika OJSC
Condensed Consolidated Interim Statement of Changes in Equity for the six-month period
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

	Note	Attributable to owners of the Parent					Non-controlling interests	Total equity
		Share capital	Revaluation reserve of buildings	Other reserve	Retained earnings	Total		
Balance at 1 January 2024		73,961	10,682	-	47,304	131,947	1,347	133,294
Profit for the period		-	-	-	24,791	24,791	71	24,862
Total comprehensive income for the period		-	-	-	24,791	24,792	71	24,862
Dividends declared and paid	27	-	-	-	(10,415)	(10,415)	-	(10,415)
Acquisition of non-controlling interest in subsidiaries		-	-	-	-	-	(620)	(620)
Balance at 30 June 2024		73,961	10,682	-	61,680	146,323	798	147,121
Balance at 1 January 2025		73,961	10,682	2,441	87,692	174,776	817	175,593
Profit for the period		-	-	-	29,098	29,098	2	29,100
Total comprehensive income for the period		-	-	-	29,098	29,098	2	29,100
Dividend declared and paid	27	-	-	-	(12,558)	(12,558)	-	(12,558)
Balance at 30 June 2025		73,961	10,682	2,441	104,232	191,316	819	192,135

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements -30 June 2025**

(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

1. Introduction

These condensed consolidated interim financial statements comprise the condensed interim financial statements of Bank Respublika OJSC (the Bank) and its subsidiary (together, the Group).

The Bank was incorporated in the Republic of Azerbaijan in 1992. The Bank is regulated by the Central Bank of the Republic of Azerbaijan (the "CBAR") and conducts its business under general license number 83.

Principal activity. The Bank's principal business activity is commercial and retail banking operations within the Republic of Azerbaijan. The Bank has 38 branches in Azerbaijan as at 30 June 2025 (31 December 2024: 35 branches and one service point).

Registered address and place of business. The Bank's registered office and place of business is 21, Khagani Street, Baku AZ 1000, Azerbaijan.

The subsidiary of the Bank that is in the process of being liquidated is as follows:

Name	Country of incorporation	Principal activities	Ownership %	
			30 June 2025	31 December 2024
Baki Sigorta OJSC	The Republic of Azerbaijan	Insurance	93.3	93.3

Tural Insurance Open Joint Stock Company was registered on 8 February 1994, subsequently it was renamed to Baki Sigorta Open Joint Stock Company (the Company) which was registered in the Republic of Azerbaijan on 28 August 2007. The principal activity of the Company is non-life insurance services. The Company operated under insurance licenses issued by the Ministry of Finance of the Republic of Azerbaijan dated 12 February 2004.

In 2024, the Bank's management committed to a plan to liquidate its subsidiary, Baku Insurance OJSC, through the sale of its assets and settlement of its liabilities, followed by closure of the entity. During 2024, the company transferred its entire insurance portfolio to a third-party insurer, and the remaining net assets of the subsidiary are currently in the process of disposal. As of 30 June 2025 the liquidation process is still in progress.

The results of the discontinued operation have been separately presented in the condensed consolidated interim statement of profit or loss, and the assets and liabilities of the disposal group have been presented separately in the condensed consolidated interim statement of financial position.

Registered address and place of subsidiary: The Company's registered office and place of business is 21, Khagani Street, Baku AZ 1000, Azerbaijan.

As at 30 June 2025 and 31 December 2024, the following shareholders owned issued shares of the Bank:

	2025, %	2024, %
Guliyev Natig Saday oglu	63.32	63.32
Guliyev Elchin Saday oglu	18.46	18.46
Guliyev Namig Saday oglu	8.47	8.47
Rahimov Shakir Khayyam oglu	5.45	5.45
SIDT (Sparkassen International Development Trust GmbH)	4.22	4.22
Others	0.08	0.08
Total	100	100

The Group is ultimately controlled by a single individual, Guliyev Natig Saday oglu.

2. Operating Environment of the Group

In the first half of 2025, the Republic of Azerbaijan maintained a stable macroeconomic environment supported by effective fiscal and monetary policies.

The economy expanded by 1.5%, with the non-oil and gas sector growing by 3.9% and increasing its share in GDP to 69.2%. Investments in fixed capital reached AZN 8.1 billion, including a 13.5% increase in the non-oil sector. Foreign investments also demonstrated strong performance, rising by 30.6% compared to the previous year.

Non-oil exports increased by 9.9%, amounting to USD 1.8 billion in January–June 2025, supported by growth in agriculture, food production, and manufacturing. This trend reflects the continued diversification of the national economy and improved competitiveness in external markets.

Inflation remained within the Central Bank's target range of 4±2%, averaging around 5–6% in the first half of the year. The Azerbaijani manat preserved its stability against major currencies, supported by strong external balances.

The banking sector continued to expand during the reporting period. The Bank's gross loan portfolio increased from AZN 1,480,504 thousand as of 31 December 2024 to AZN 1,542,762 thousand as of 30 June 2025, reflecting a 4.2% growth. Net loans to customers grew by 4.5%, reaching AZN 1,522,011 thousand. Loan growth was particularly evident in mortgages (+13.5%), SME (+5.0%), and retail (+3.8%) segments.

The Bank's deposit base also strengthened during the period. Customer deposits increased from AZN 1,372,384 thousand at year-end 2024 to AZN 1,618,371 thousand as of 30 June 2025, representing a 17.9% growth.

Overall, the first half of 2025 confirmed the resilience of Azerbaijan's economy, with steady non-oil growth, expanding foreign investment, stable inflation, and a growing banking sector contributing to a favorable operating environment for the Bank.

Significant changes in the current reporting period. There were no significant events and/or changes in the financial position and performance of the Group for the six months ended 30 June 2025 since the end of the last annual financial reporting period.

Geopolitical, macroeconomic and regulatory environment were assessed as stable by the Management since the end of the last annual reporting period (for year ended 31 December 2024). Management believes that critical estimates and judgements since the end of the last annual reporting period (for year ended 31 December 2024) remain appropriate for the six months ended 30 June 2025.

3. Material Accounting Policies

These condensed consolidated interim financial statements for the six months period ended 30 June 2025 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2024, which have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards").

The same accounting policies and methods of computation were followed in the preparation of these condensed consolidated interim financial statements as compared with the annual consolidated financial statements of the Group for the year ended 31 December 2024.

Interim period tax measurement. Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

Critical accounting estimates and judgements. In preparing these condensed consolidated interim financial statements, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2024 prepared in accordance with IFRS Accounting Standards. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2024 except for change concerning the time frame utilized for calculating Expected Credit Losses (ECL) in loans to customers. Previously, the historical data considered for ECL calculations spanned from January 2012 to the end of 2024. By shortening the observation window (which now starts from January 2018), the management aims to refine the accuracy and relevance of the ECL calculations without undermining the integrity of the results. By focusing on more recent historical data, management aims to ensure that ECL models reflect current economic conditions and trends leading to accuracy in risk assessment.

Had the recent changes been applied retrospectively, the ECL for loans to customers for the year ended 31 December 2024 would have been AZN 3,830 thousand lower in total. This overall impact comprises of a decrease of AZN 4,649 thousand and AZN 1,703 thousand in the Micro and in the SME segments respectively; and an increase of AZN 1,633 thousand, AZN 878 thousand, and AZN 11 thousand in the Retail, Mortgage, and Card segments, respectively.

Presentation currency. These condensed consolidated interim financial statements are presented in AZN, unless otherwise stated.

Foreign currency translation. The financial statements are presented in Azerbaijani Manat, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the condensed consolidated interim statement of profit or loss and other comprehensive income as Gains less losses on foreign exchange operations and translation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The Bank used the following official exchange rates at 30 June 2025 and 31 December 2024 in the preparation of these condensed consolidated interim financial statements:

	30 June 2025	31 December 2024
1 US dollar	AZN 1.7000	AZN 1.7000
1 Euro	AZN 1.9944	AZN 1.7724

3 Basis of preparation (Continued)

Presentation of condensed consolidated interim statement of financial position in order of liquidity. The Group does not present current and non-current assets and liabilities separately in the condensed consolidated interim statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 29 for analysis of financial instruments by their maturity. The following table below provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 29.

	Note	30 June 2025			31 December 2024		
		Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
		Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total
ASSETS							
Property and equipment	17	-	50,838	50,838	-	49,673	49,673
Intangible assets	17	-	3,033	3,033	-	3,231	3,231
Other non-financial assets	18	8,708	-	8,708	8,086	-	8,086
Repossessed collateral	19	1,133	-	1,133	1,049	-	1,049
Goodwill		-	-	-	-	467	467
Disposal groups		819	-	819	1,779	-	1,779
LIABILITIES							
Current income tax liability		2,378	-	2,378	4,806	-	4,806
Other non-financial liabilities	26	16,513	-	16,513	20,466	-	20,466
Deferred income tax liabilities	11	-	1,278	1,278	-	388	388
Liabilities directly associated with disposal groups held for sale		-	-	-	316	-	316

4. Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2025:

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences

The application of the above amendment had no significant impact on the Group's condensed consolidated interim financial statements.

5. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2026 or later, and which the Group has not early adopted.

Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026). On 30 May 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:

- (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- (b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- (c) add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
- (d) update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027). The International Accounting Standard Board (IASB) has issued a new IFRS Accounting Standard for subsidiaries. IFRS 19 permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements. Subsidiaries

5. New Accounting Pronouncements (Continued)

using IFRS Accounting Standards for their own financial statements provide disclosures that maybe disproportionate to the information needs of their users. IFRS 19 will resolve these challenges by:

- enabling subsidiaries to keep only one set of accounting records – to meet the needs of both their parent company and the users of their financial statements;
- reducing disclosure requirements – IFRS 19 permits reduced disclosure better suited to the needs of the users of their financial statements.

Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (Issued on 18 December 2024 and effective from 1 January 2026). The IASB has issued amendments to help companies better report the financial effects of nature-dependent electricity contracts, which are often structured as power purchase agreements (PPAs). Current accounting requirements may not adequately capture how these contracts affect a company's performance. To allow companies to better reflect these contracts in the financial statements, the IASB has made targeted amendments to IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments: Disclosures. The amendments include: (a) clarifying the application of the 'own-use' requirements; (b) relaxing certain hedge accounting requirements if these contracts are used as hedging instruments; and (c) adding new disclosure requirements to enable investors to understand the effect of these contracts on financial performance and cash flows.

Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026). IFRS 1 was clarified that a hedge should be discontinued upon transition to IFRS Accounting Standards if it does not meet the 'qualifying criteria', rather than 'conditions' for hedge accounting, in order to resolve a potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9. IFRS 7 requires disclosures about a gain or loss on derecognition relating to financial assets in which the entity has a continuing involvement, including whether fair value measurements included 'significant unobservable inputs'. This new phrase replaced reference to 'significant inputs that were not based on observable market data'. The amendment makes the wording consistent with IFRS 13. In addition, certain IFRS 7 implementation guidance examples were clarified and text added that the examples do not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7. IFRS 16 was amended to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9 guidance to recognise any resulting gain or loss in profit or loss. This clarification applies to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment. In order to resolve an inconsistency between IFRS 9 and IFRS 15, trade receivables are now required to be initially recognised at 'the amount determined by applying IFRS 15' instead of at 'their transaction price (as defined in IFRS 15)'. IFRS 10 was amended to use less conclusive language when an entity is a 'de-facto agent' and to clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de-facto agent. IAS 7 was corrected to delete references to 'cost method' that was removed from IFRS Accounting Standards in May 2008 when the IASB issued amendment 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'.

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

6. Net Interest Income

	30 June 2025	30 June 2024
Interest income calculated using the effective interest method		
Loans to customers	123,995	92,654
Cash and cash equivalents	8,546	12,724
Investment securities measured at amortised cost	2,643	1,472
Due from other banks	659	299
Other interest income	-	396
Total interest income calculated using the effective interest method	135,843	107,544
Interest expense		
Amounts due to customers	(27,001)	(24,151)
Other borrowed funds	(19,292)	(9,371)
Subordinated borrowings	(1,656)	(1,676)
Amounts due to credit institutions	(1,362)	(570)
Lease liabilities	(283)	(868)
Bonds issued	(217)	(769)
Total interest expense	(49,811)	(37,405)
Net margin on interest and similar income	86,032	70,139

7. Expected Credit Losses on Interest Bearing Assets

Expected credit losses amount on interest bearing assets recognised in the condensed consolidated interim statement of profit or loss and other comprehensive income is comprised of the following:

	30 June 2025	30 June 2024
(Charge for)/recovery of ECL on:		
Loans to customers	5,697	518
Investment securities measured at amortised cost	(318)	(20)
Due from other banks	(492)	22
Other	(604)	288
Recovery of expected credit losses on interest bearing assets, net	4,283	808

The table below shows details of net ECL recovery on loans to customers:

	30 June 2025	30 June 2024
Impairment release/(expense) (net) on loans to customers	3,926	(2,419)
Recoveries from written off loans	1,771	2,937
Expected credit losses on loans to customers, net	5,697	518

During 2025, the management has decreased the observation window, previously starting from January 2012, by six years for ECL purposes with the aim to reflect the most relevant data in calculation process (Note 3).

8. Gains less losses on foreign exchange operations and translation

	30 June 2025	30 June 2024
Gains from trading in foreign currencies	9,307	4,721
Losses from trading in foreign currencies	(3,641)	(350)
Foreign exchange translation gains less losses	(108)	68
Total gains less losses on foreign exchange operations and translation	5,558	4,439

9. Fee and Commission Income and Expense

	30 June 2025	30 June 2024
Fee and commission income		
<i>Fee and commission income not relating to financial instruments at FVTPL:</i>		
Plastic cards services	7,702	7,205
Settlements	3,269	3,453
Cash operations	1,266	1,484
Guarantee letters	1,293	343
Fiduciary activities	293	450
Other operations	1,353	1,205
Total fee and commission income	15,176	14,140
Fee and commission expense		
<i>Fee and commission expense not relating to financial instruments at FVTPL</i>		
Plastic cards services	6,555	6,266
Payment systems	2,324	2,813
Settlements	1,645	1,259
Cash operations	497	460
Other operations	375	394
Total fee and commission expense	11,396	11,192
Net fee and commission income	3,780	2,948

10. Operating Expenses

	30 June 2025	30 June 2024
Staff costs	34,133	26,327
Payments to Social Pension Fund	5,141	4,123
Sponsorship fees	3,715	707
Depreciation of property and equipment and right of use assets	2,930	2,301
Professional services fees	2,235	1,654
Fees paid to Deposit Insurance Fund	1,802	2,193
Software costs	1,279	832
Communication expenses	1,128	1,301
Advertising and marketing	848	1,079
Taxes other than income tax	780	804
Office expenses	713	752
Transportation and travel	574	319
Security costs	504	492
Amortization	331	346
Repairs and maintenance	284	305
Lease expense (short-term and low value items)	117	115
Other operating expenses	1,482	877
Total Operating Expenses	57,996	44,527

The fee for the audit of the Group's condensed consolidated interim financial statements for the period ended 30 June 2025 and consolidated financial statements for the year ended 31 December 2025 is AZN 357 thousand, net of VAT (30 June 2024 and 31 December 2024: AZN 323 thousand, net of VAT). Fee for non-audit services provided during six months ended 30 June 2025 is AZN 36 thousand (30 June 2024: AZN 36 thousand, net of VAT).

11. Income Taxes

	30 June 2025	30 June 2024
Current income tax charge	(7,149)	(6,229)
Deferred income tax charge	(890)	(453)
Income tax expense for the period	(8,039)	(6,682)

In 2025, the applicable tax rate for current and deferred tax is 20% (2024: 20%).

	30 June 2025	30 June 2024
Profit before income tax from continuing operations	37,107	31,093
Theoretical tax charge at statutory rate	(7,421)	(6,219)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	(564)	(283)
- Other	(54)	(180)
Income tax expense for the period	(8,039)	(6,682)

Non-deductible expenses mainly comprise bonus payments that exceed the normative limits established by the tax legislation.

Deferred tax assets and liabilities

Deferred tax assets and liabilities represent the potential income tax benefit and charge respectively, arising from temporary differences between the carrying values of assets and liabilities in the condensed consolidated interim statement of financial position in accordance with IFRS Accounting Standards and their values for tax accounting purposes reported in accordance with the local tax regulations.

Movements in temporary differences during the period ended 30 June 2025 are presented as follows:

	Balance 1 January 2025	Credited / (charged) to profit or loss	Balance 30 June 2025
Tax effect of deductible/(taxable) temporary differences			
Credit loss allowance of Loans to customers	2,421	(1,244)	1,177
Credit loss allowance of amounts due from credit institutions	(42)	31	(11)
Credit loss allowance of securities at AC	(30)	130	100
Fair valuation of securities at FVOCI	(488)	-	(488)
Fair valuation of derivatives	(189)	(1)	(190)
Depreciation and amortisation of property and equipment and intangible assets	(1,191)	(209)	(1,400)
Revaluation of buildings	(751)	11	(740)
Right of use assets	(920)	173	(747)
Other assets	(323)	(140)	(463)
Lease liabilities	1,190	(68)	1,122
Other liabilities	(65)	427	362
Net deferred tax liability	(388)	(890)	(1,278)
Recognised deferred tax asset	3,611	(850)	2,761
Recognised deferred tax liability	(3,999)	(40)	(4,039)
Net deferred tax liability	(388)	(890)	(1,278)

11. Income Taxes (Continued)

Movements in temporary differences during the year ended 31 December 2024 are presented as follows:

	Balance 1 January 2024	Credited / (charged) to profit or loss	Credited / (charged) to other comprehensive income	Transfer to disposal group	Balance 31 December 2024
Tax effect of deductible/(taxable) temporary differences					
Credit loss allowance of Loans to customers	2,464	(43)	-	-	2,421
Credit loss allowance of amounts due from credit institutions	(33)	(9)	-	-	(42)
Credit loss allowance of securities at AC	(30)	-	-	-	(30)
Fair valuation of securities at FVOCI	-	-	(488)	-	(488)
Fair valuation of Derivatives	(176)	(13)	-	-	(189)
Depreciation and amortisation of property and equipment and intangible assets	(719)	(472)	-	-	(1,191)
Revaluation of buildings	(762)	11	-	-	(751)
Right of use assets	(700)	(220)	-	-	(920)
Other assets	171	(494)	-	-	(323)
Amounts due to credit institutions	(116)	116	-	-	-
Other borrowed funds	41	(41)	-	-	-
Lease liabilities	771	419	-	-	1,190
Insurance reserves	(62)	-	-	62	-
Other liabilities	112	(177)	-	-	(65)
Net deferred tax asset	961	(923)	(488)	62	(388)
Recognised deferred tax asset	3,559	(10)	-	62	3,611
Recognised deferred tax liability	(2,598)	(913)	(488)	-	(3,999)
Net deferred tax asset	961	(923)	(488)	62	(388)

12. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	30 June 2025	31 December 2024
Cash		
Cash on hand	63,930	52,251
Nostro accounts with CBAR	78,054	146,279
Nostro accounts and overnight placements with other banks	379,781	139,459
Total cash	521,765	337,989
Cash equivalents		
Short-term deposits with CBAR	120,168	-
Short-term deposits with resident banks	55,333	22,217
Short-term deposits with non-resident banks	3,775	13,267
Total cash equivalents	179,276	35,484
Total cash and cash equivalents	701,041	373,473

As at 30 June 2025 the Group had outstanding balances with 4 banks (31 December 2024: 2 banks), CBAR and three commercial banks, whose balances exceed 10% of equity. These balances as at 30 June 2025 are AZN 609,537 thousand (31 December 2024: AZN 280,730 thousand).

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 30 June 2025.

	Cash balances with the CBAR, excluding mandatory reserves	Correspondent accounts and overnight placements	Total
- Excellent	198,222	380,192	578,414
- Good	-	58,583	58,583
- Default	-	112	112
Total cash and cash equivalents, excluding cash on hand	198,222	438,889	637,111

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2024.

	Cash balances with the CBAR, excluding mandatory reserves	Correspondent accounts and overnight placements	Total
- Excellent	-	146,992	146,992
- Good	146,279	26,936	173,215
- Default	-	1,015	1,015
Total cash and cash equivalents, excluding cash on hand	146,279	174,943	321,222

For the purpose of measuring Expected Credit Loss (ECL), as at 30 June 2025 cash and cash equivalents amounting to AZN 112 thousand (31 December 2024: AZN 1,015 thousand) are considered under Stage 2. All remaining balances are categorized under Stage 1. Given the minimal ECL associated with these balances, the Group decided not to recognize any credit loss allowance for cash and cash equivalents.

13. Due from Other Banks

	30 June 2025	31 December 2024
Mandatory reserve with the CBAR	143,710	140,784
Placements with other banks with original maturities of more than three months	20,041	-
Blocked accounts	15,090	14,725
Due from other banks, gross	178,841	155,509
Loss allowance	(721)	(230)
Due from other banks, net of loss allowance	178,120	155,279

The Bank is required to maintain a non-interest earning cash deposit (mandatory reserve) with the CBAR calculated as 10% and 12% (31 December 2024: 10 % and 12 %) of the previous month average of funds attracted from customers by the Bank in local and foreign currency, respectively.

As at 30 June 2025 and 31 December 2024 AZN equivalent 2,356 thousand and 2,689 thousand, respectively, are the amounts of deposits in 2 customers (31 December 2024: 6 customers) blocked against the Group's guarantees.

As at 30 June 2025 Group had AZN 12,224 thousand balance that (31 December 2024: AZN 11,526 thousand) blocked against the Group's swap contracts.

As at 30 June 2025 AZN equivalent 510 thousand is the amount of deposit in one bank (31 December 2024: AZN equivalent 510 thousand in one bank) blocked against the Group's forward contracts.

The following table below contain an analysis of due from other banks balances by credit quality at 30 June 2025 based on credit risk grades and discloses those balances by three stages for the purpose of ECL measurement.

	Stage 1 (12-months ECL)			Total
	Mandatory reserve with the CBAR	Placements with other banks with original maturities of more than three months	Blocked accounts	
Placements with other banks				
- Excellent	143,710	-	8,506	152,216
- Good	-	20,041	-	20,041
- Special monitoring	-	-	6,584	6,584
Gross carrying amount	143,710	20,041	15,090	178,841
Credit loss allowance	(14)	(198)	(509)	(721)
Carrying amount	143,696	19,844	14,580	178,120

The following table contains an analysis of due from other banks balances by credit quality at 31 December 2024 based on credit risk grades and discloses due from other banks balances by three stages for the purpose of ECL measurement.

	Stage 1 (12-months ECL)		Total
	Mandatory reserve with the CBAR	Blocked accounts	
Placements with other banks			
- Good	140,784	6,590	147,374
- Special monitoring	-	8,135	8,135
Gross carrying amount	140,784	14,725	155,509
Credit loss allowance	-	(230)	(230)
Carrying amount	140,784	14,495	155,279

14. Loans to Customers

	30 June 2025	31 December 2024
Micro loans	577,496	536,021
SME loans	546,608	549,973
Retail loans	306,300	295,066
Mortgage loans	111,259	98,002
Card loans	1,099	1,442
Gross loans to customers	1,542,762	1,480,504
Loss allowance	(20,751)	(24,376)
Net loans to customers	1,522,011	1,456,128

The following tables discloses the changes in the credit loss allowance and gross carrying amount for loans to customers carried at amortized cost between the beginning and the end of the reporting period and comparative periods:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	1,352,529	110,801	17,174	1,480,504
New assets originated or purchased	807,063	-	-	807,063
Derecognised during the period	(709,704)	(28,929)	(6,001)	(744,634)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(45,043)	45,043	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(7,159)	(3,424)	10,583	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	96,471	(94,121)	(2,350)	-
- from Stage 3 to Stage 2	-	755	(755)	-
Amounts written off	-	-	(171)	(171)
At 30 June 2025	1,494,157	30,125	18,480	1,542,762

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(9,199)	(8,404)	(6,773)	(24,376)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(3,252)	-	-	(3,252)
Derecognised during the period	1,377	1,492	2,119	4,988
Changes to ECL measurement model assumptions	1,840	46	(559)	1,327
Additional ECL charged on loans written off during the year	-	-	(63)	(63)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	252	(844)	-	(592)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	20	152	(3,486)	(3,314)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(497)	4,553	565	4,621
- from Stage 3 to Stage 2	-	(34)	276	242
Total movements with impact on credit loss allowance charge for the period	(260)	5,365	(1,148)	3,957
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	171	171
Unwinding of discount (for Stage 3)	-	-	(503)	(503)
At 30 June 2025	(9,459)	(3,039)	(8,253)	(20,751)

14. Loans to Customers (Continued)

	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	1,055,504	100,217	16,737	1,172,458
New assets originated or purchased	1,699,868	-	-	1,699,868
Derecognised during the period	(1,272,056)	(111,879)	(3,857)	(1,387,792)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(145,261)	145,261	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(9,030)	(2,270)	11,300	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	23,504	(20,899)	(2,605)	-
- from Stage 3 to Stage 2	-	371	(371)	-
Amounts written off	-	-	(4,030)	(4,030)
At 31 December 2024	1,352,529	110,801	17,174	1,480,504

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(7,884)	(6,544)	(7,830)	(22,258)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(14,135)	-	-	(14,135)
Derecognised during the period	4,520	2,016	1,765	8,301
Changes to ECL measurement model assumptions	1,568	2,197	274	4,039
Additional ECL charged on loans written off during the year	(226)	(445)	(608)	(1,279)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	5,357	(6,461)	-	(1,104)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	1,628	116	(3,529)	(1,785)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(27)	720	748	1,441
- from Stage 3 to Stage 2	-	(3)	155	152
Total movements with impact on credit loss allowance charge for the period	(1,315)	(1,860)	(1,195)	(4,370)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	4,030	4,030
Unwinding of discount (for Stage 3)	-	-	(678)	(678)
Other movement	-	-	(1,100)	(1,100)
At 31 December 2024	(9,199)	(8,404)	(6,773)	(24,376)

14. Loans to Customers (Continued)

Micro loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	444,310	85,049	6,662	536,021
New assets originated or purchased	309,324	-	-	309,324
Derecognised during the period	(284,191)	(12,526)	(1,945)	(298,662)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(15,632)	15,632	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(3,353)	(1,898)	5,251	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	77,758	(76,880)	(878)	-
- from Stage 3 to Stage 2	-	404	(404)	-
Amounts written off	-	-	(75)	(931)
At 30 June 2025	528,216	9,781	8,611	546,608

Micro loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(2,042)	(6,982)	(2,367)	(11,391)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(1,771)	-	-	(1,771)
Derecognised during the period	8	716	156	880
Changes to ECL measurement model assumptions	849	96	(99)	846
Additional ECL charged on loans written off during the year	-	-	(34)	(34)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	83	(184)	-	(101)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	12	107	(2,006)	(1,887)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(457)	4,369	224	4,136
- from Stage 3 to Stage 2	-	(16)	154	138
Total movements with impact on credit loss allowance charge for the period	(1,276)	5,088	(1,605)	2,207
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	75	75
Unwinding of discount (for Stage 3)	-	-	(268)	(268)
At 30 June 2025	(3,318)	(1,894)	(4,165)	(9,377)

14. Loans to Customers (Continued)

Micro loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	361,359	80,826	4,059	446,244
New assets originated or purchased	640,414	-	-	640,414
Derecognised during the period	(471,121)	(77,435)	(1,150)	(549,706)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(93,938)	93,938	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4,219)	(1,083)	5,302	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	11,815	(11,347)	(468)	-
- from Stage 3 to Stage 2	-	150	(150)	-
Amounts written off	-	-	(931)	(931)
At 31 December 2024	444,310	85,049	6,662	536,021

Micro loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(2,132)	(5,518)	(1,803)	(9,453)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(7,693)	-	-	(7,693)
Derecognised during the period	1,742	1,756	574	4,072
Changes to ECL measurement model assumptions	588	2,006	99	2,693
Additional ECL charged on loans written off during the year	(86)	(98)	(59)	(243)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	4,778	(5,734)	-	(956)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	773	68	(1,795)	(954)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(12)	539	187	714
- from Stage 3 to Stage 2	-	(1)	61	60
Total movements with impact on credit loss allowance charge for the period	90	(1,464)	(933)	(2,307)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	931	931
Unwinding of discount (for Stage 3)	-	-	(294)	(294)
Other movement	-	-	(268)	(268)
At 31 December 2024	(2,042)	(6,982)	(2,367)	(11,391)

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements -30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***14. Loans to Customers (Continued)**

SME loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	535,371	9,496	5,106	549,973
New assets originated or purchased	268,282	-	-	268,282
Derecognised during the period	(231,952)	(6,829)	(1,930)	(240,711)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(10,526)	10,526	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,027)	(165)	1,192	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	6,313	(5,997)	(316)	-
- from Stage 3 to Stage 2	-	-	-	-
Amounts written off	-	-	(48)	(48)
At 30 June 2025	566,461	7,031	4,004	577,496

SME loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(4,585)	(630)	(2,501)	(7,716)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(433)	-	-	(433)
Derecognised during the period	507	204	1,891	2,602
Changes to ECL measurement model assumptions	1,680	12	(70)	1,622
Additional ECL charged on loans written off during the year	-	-	(31)	(31)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	18	(165)	-	(147)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	2	(9)	(7)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(10)	134	40	164
- from Stage 3 to Stage 2	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	1,762	187	1,821	3,770
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	48	48
Unwinding of discount (for Stage 3)	-	-	(35)	(35)
At 30 June 2025	(2,823)	(443)	(667)	(3,933)

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements -30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***14. Loans to Customers (Continued)**

SME loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	390,241	9,407	7,426	407,074
New assets originated or purchased	585,006		-	585,006
Derecognised during the period	(417,620)	(22,858)	(1,494)	(441,972)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(31,058)	31,058	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(568)	(369)	937	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	9,370	(7,742)	(1,628)	-
- from Stage 3 to Stage 2	-	-	-	-
Amounts written off	-	-	(135)	(135)
At 31 December 2024	535,371	9,496	5,106	549,973

SME loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(3,644)	(516)	(3,179)	(7,339)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(4,368)	-	-	(4,368)
Derecognised during the period	1,950	152	545	2,647
Changes to ECL measurement model assumptions	974	165	71	1,210
Additional ECL charged on loans written off during the year	-	-	(90)	(90)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	464	(557)	-	(93)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	47	23	(213)	(143)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(8)	103	357	452
- from Stage 3 to Stage 2	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	(941)	(114)	670	(385)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	135	135
Unwinding of discount (for Stage 3)	-	-	(127)	(127)
At 31 December 2024	(4,585)	(630)	(2,501)	(7,716)

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements -30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***14. Loans to Customers (Continued)**

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	278,163	11,948	4,955	295,066
New assets originated or purchased	205,066	-	-	205,066
Derecognised during the period	(183,120)	(8,736)	(1,929)	(193,785)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(17,778)	17,778	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2,584)	(1,331)	3,915	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	8,736	(7,657)	(1,079)	-
- from Stage 3 to Stage 2	-	304	(304)	-
Amounts written off	-	-	(47)	(47)
At 30 June 2025	288,483	12,306	5,511	306,300

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(2,544)	(733)	(1,577)	(4,854)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(1,024)	-	-	(1,024)
Derecognised during the period	832	566	2	1,400
Changes to ECL measurement model assumptions	(469)	(73)	(252)	(800)
Additional ECL charged on loans written off during the year	-	-	(3)	3
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	142	(437)	-	(295)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	8	42	(1,465)	(1,415)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(19)	17	272	270
- from Stage 3 to Stage 2	-	(17)	117	100
Total movements with impact on credit loss allowance charge for the period	(530)	98	(1,329)	(1,761)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	47	47
Unwinding of discount (for Stage 3)	-	-	(166)	(166)
At 30 June 2025	(3,074)	(635)	(3,025)	(6,734)

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements -30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***14. Loans to Customers (Continued)**

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	223,190	6,014	4,676	233,880
New assets originated or purchased	421,736	-	-	421,736
Derecognised during the period	(347,759)	(8,901)	(999)	(357,659)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(16,011)	16,011	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4,107)	(720)	4,827	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,114	(655)	(459)	-
- from Stage 3 to Stage 2	-	199	(199)	-
Amounts written off	-	-	(2,891)	(2,891)
At 31 December 2024	278,163	11,948	4,955	295,066

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(2,006)	(366)	(2,484)	(4,856)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(2,051)	-	-	(2,051)
Derecognised during the period	778	50	603	1,431
Changes to ECL measurement model assumptions	(28)	22	147	141
Additional ECL charged on loans written off during the year	(140)	(347)	(437)	(924)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	101	(121)	-	(20)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	807	20	(1,493)	(666)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(5)	11	191	197
- from Stage 3 to Stage 2	-	(2)	88	86
Total movements with impact on credit loss allowance charge for the period	(538)	(367)	(901)	(1,806)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	2,891	2,891
Unwinding of discount (for Stage 3)	-	-	(251)	(251)
Other movement	-	-	(832)	(832)
At 31 December 2024	(2,544)	(733)	(1,577)	(4,854)

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements -30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***14. Loans to Customers (Continued)**

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	93,891	3,772	339	98,002
New assets originated or purchased	22,730	-	-	22,730
Derecognised during the period	(8,712)	(620)	(140)	(9,472)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(836)	836	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	62	(23)	(39)	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	3,133	(3,080)	(53)	-
- from Stage 3 to Stage 2	-	42	(42)	-
Amounts written off	-	-	(1)	(1)
At 30 June 2025	110,268	927	64	111,259

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(11)	(39)	(77)	(127)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(17)	-	-	(17)
Derecognised during the period	19	5	9	33
Changes to ECL measurement model assumptions	(220)	17	9	(194)
Additional ECL charged on loans written off during the year	-	-	(1)	(1)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	4	(54)	-	(50)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	-	(5)	(5)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(5)	11	27	33
- from Stage 3 to Stage 2	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	(219)	(21)	39	(201)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	1	1
Unwinding of discount (for Stage 3)	-	-	(2)	(2)
At 30 June 2025	(230)	(60)	(39)	(329)

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements -30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***14. Loans to Customers (Continued)**

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	80,305	3,296	302	83,903
New assets originated or purchased	50,210	-	-	50,210
Derecognised during the period	(33,816)	(2,092)	(130)	(36,038)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(3,724)	3,724	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(239)	(72)	311	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,155	(1,106)	(49)	-
- from Stage 3 to Stage 2	-	22	(22)	-
Amounts written off	-	-	(73)	(73)
At 31 December 2024	93,891	3,772	339	98,002

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(83)	(115)	(132)	(330)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(8)	-	-	(8)
Derecognised during the period	46	36	4	86
Changes to ECL measurement model assumptions	33	6	4	43
Additional ECL charged on loans written off during the year	-	-	(22)	(22)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	2	(32)	-	(30)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	2	(16)	(14)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(1)	64	13	76
- from Stage 3 to Stage 2	-	-	6	6
Total movements with impact on credit loss allowance charge for the period	72	76	(11)	137
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	73	73
Unwinding of discount (for Stage 3)	-	-	(7)	(7)
At 31 December 2024	(11)	(39)	(77)	(127)

The loss allowance in the tables above excludes ECL on loan commitments, because the Group can separately identify the ECL on the loan commitment component from those on the financial instrument component.

Significant credit exposures

As at 30 June 2025, the Group had 17 borrowers (31 December 2024: 20 borrowers) with gross loan balances exceeding AZN 5,000 thousand. The total gross value of these loans as at 30 June 2025 was AZN 156,441 thousand or 10% of the total loans to customers (31 December 2024: AZN 154,352 thousand or 10%). An allowance of AZN 108 thousand (31 December 2024: AZN 250 thousand) was recognised against these loans.

Loan maturities

The maturity of the loan portfolio is presented in Note 29, which shows the remaining period from the reporting date to the contractual maturity of the loans.

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements -30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***15. Investment Securities**

	30 June 2025	31 December 2024
Investment in debt securities at AC	121,945	57,531
Investment securities at FVOCI - equity instruments	3,219	3,215
Investment securities, gross	125,164	60,746
Loss allowance	(515)	(198)
Total investment securities	124,649	60,548

Investment in debt securities at AC. The table below discloses investments in debt securities at 30 June 2025 by measurement categories and classes:

	Investment in debt securities at AC	Total
Government bonds	52,792	52,792
Corporate bonds	10,092	10,092
US T-Bills	59,061	59,061
Total investments in debt securities at 30 June 2025 (fair value or gross carrying value)	121,945	121,945
Credit loss allowance	(515)	(515)
Total investments in debt securities at 30 June 2025 (carrying value)	121,430	121,430

The table below discloses investments in debt securities at 31 December 2024 by measurement categories and classes:

	Investment in debt securities at AC	Total
Government bonds	22,489	22,489
Corporate bonds	35,042	35,042
Total investments in debt securities at 31 December 2024 (fair value or gross carrying value)	57,531	57,531
Credit loss allowance	(198)	(198)
Total investments in debt securities at 31 December 2024 (carrying value)	57,333	57,333

The carrying amount of investment in debt securities at AC at 30 June 2025 and 31 December 2024 below also represents the Group' maximum exposure to credit risk on these assets:

	30 June 2025 Stage 1 (12-months ECL)	31 December 2024 Stage 1 (12-months ECL)
Government bonds		
- Excellent	52,792	-
- Good	-	22,489
Corporate bonds		
- Excellent	8,545	-
- Good	1,547	35,042
US T-Bills		
- Excellent	59,061	-
Gross carrying amount	121,945	57,531
Credit loss allowance	(515)	(198)
Carrying amount	121,430	57,333

15. Investment Securities (Continued)

Investment securities designated at FVOCI - equity instruments. Investment securities designated at FVOCI consist of equity investments expected to be held for the long-term for strategic purposes.

	Ownership, %	30 June		Ownership, %	31 December 2024
		2025			
Milli Kart LLC	8.3%	124		8.3%	124
Azerbaijan Credit Bureau LLC	12.5%	3,067		12.5%	3,067
SWIFT	0.004%	27		0.004%	24
Total equity instruments		3,219			3,215

16. Derivative Financial Instruments

The Bank enters into derivative financial instruments for hedging purposes (currency risk hedging), however it does not apply hedge accounting. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset or liability and is a basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of credit risk.

	Notional amount	30 June 2025		Notional amount	31 December 2024	
		Fair value			Fair value	
		Assets	Liabilities		Assets	Liabilities
Swaps – foreign counterparty	187,346	4,292	(1,892)	131,140	3,465	(1,125)
Forward - foreign counterparty	9,964	-	(1,452)	9,964	-	(1,393)
Total derivative financial instruments	197,310	4,292	(3,344)	141,104	3,465	(2,518)

Foreign exchange derivative financial instruments entered into by the Bank are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Respective changes in the fair value were as follows and presented within the 'Losses less gains from financial derivatives' line item in the condensed consolidated interim statement of profit or loss and other comprehensive income:

	30 June 2025	30 June 2024
Interest expense on derivative financial instruments, net	(4,512)	(3,297)
Fair value gain from derivative financial instruments, net	1	20
Losses less gains from financial derivatives	(4,511)	(3,277)

Bank Respublika OJSC

Notes to the Condensed Consolidated Interim Financial Statements -30 June 2025

(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Property and Equipment and right of use assets and Intangible Assets

	Land	Buildings	Fixtures and equipment	Computers	Motor vehicles	Leasehold improvements	Other equipment	Right-of-use assets	Total Property and equipment and right of use assets	Computer software and licenses
Cost/revalued amount										
Balance at 1 January 2024	36	30,373	13,183	16,784	2,387	2,381	946	6,943	73,033	9,478
Additions	-	399	790	2,223	431	271	-	1,125	5,239	800
Disposals	-	(12)	(8)	(145)	(56)	-	(59)	(571)	(851)	-
Reassessment and modification of lease agreements	-	-	-	-	-	-	-	2,543	2,543	-
Transfers	-	-	(1,374)	1,374	-	-	-	-	-	-
Reclassification to non-current assets held for sale (or disposal groups)	-	-	-	(270)	(153)	-	(216)	(405)	(1,044)	(861)
Balance at 31 December 2024	36	30,760	12,591	19,966	2,609	2,652	671	9,635	78,920	9,417
Additions	-	1,284	957	989	-	613	8	-	3,851	133
Disposals	-	-	(1,133)	(2,651)	(61)	(2)	(268)	-	(4,115)	(460)
Reassessment and modification of lease agreements	-	-	-	-	-	-	-	375	375	-
Balance at 30 June 2025	36	32,044	12,415	18,304	2,548	3,263	411	10,010	79,031	9,090
Accumulated depreciation										
Balance at 1 January 2024	-	(232)	(8,206)	(9,620)	(1,296)	(1,275)	(862)	(3,444)	(24,935)	(6,167)
Depreciation for the year	-	(434)	(658)	(2,025)	(128)	(173)	(11)	(2,025)	(5,454)	(362)
Elimination on disposals	-	15	20	99	69	1	39	449	692	-
Transfers	-	-	596	(596)	-	-	-	-	-	-
Reclassification to non-current assets held for sale (or disposal groups)	-	-	-	198	91	-	178	(17)	450	343
Balance at 31 December 2024	-	(651)	(8,248)	(11,944)	(1,264)	(1,447)	(656)	(5,037)	(29,247)	(6,186)
Depreciation for the period	-	(219)	(343)	(972)	(69)	(78)	(11)	(1,237)	(2,930)	(331)
Elimination on disposals	-	-	1,062	2,607	62	2	268	-	4,001	460
Transfers	-	-	-	-	-	(17)	-	-	(17)	-
Balance at 30 June 2025	-	(870)	(7,529)	(10,309)	(1,271)	(1,540)	(399)	(6,274)	(28,193)	(6,057)
Carrying amount										
At 31 December 2024	36	30,109	4,343	8,022	1,345	1,205	15	4,598	49,673	3,231
At 30 June 2025	36	31,174	4,886	7,995	1,277	1,723	12	3,736	50,838	3,033

17. Property and Equipment (Continued)

Property and equipment. As at 30 June 2025 and 31 December 2024, included in property and equipment were fully depreciated assets of 11,240 AZN thousand.

Buildings owned by the Group are carried at revalued amounts based on the independent appraiser's report. As at 30 June 2025 and 31 December 2024, the carrying value of these buildings approximate their fair values. If the buildings were accounted at historical cost less accumulated depreciation and impairment losses, its carrying value would be AZN 18,801 thousand as at 30 June 2025 (31 December 2024: AZN 17,971 thousand).

The basis used for the appraisal is the market approach. The market approach is based on an analysis of the results of comparable sales of similar buildings. The key assumption used in applying the market approach is the selling price, in the absence of undue stress and if reasonable time is given.

Details of the Group's buildings and information about the fair value hierarchy as at 30 June 2025 and 31 December 2024 are as follows:

	30 June 2025		31 December 2024	
	Level 3	Fair value	Level 3	Fair value
Buildings	31,174	31,174	30,109	30,109
Total	31,174	31,174	30,109	30,109

Intangible assets. As at 30 June 2025, included in computer software and licenses were fully amortised assets of AZN 5,081 thousand (31 December 2024: AZN 4,797 thousand).

Right of use assets. The Group leases offices. Rental contracts are typically made for fixed periods of 1 year to 7 years, but may have extension options.

All leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

In respect of right of use assets disclosed in table above, the Group recognised lease liabilities as follows:

	30 June 2025	31 December 2024
Short-term lease liabilities	1,638	1,757
Long-term lease liabilities	3,974	4,194
Total lease liabilities	5,612	5,951

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***18. Other Assets**

	30 June 2025	31 December 2024
Settlements on money transfers	20,393	17,470
Other financial assets	42	69
Total other financial assets	20,435	17,539
Prepayments for property, equipment, and intangible assets	1,559	1,455
Deferred expenses	6,193	4,088
Other prepayments	1,033	2,620
Allowance for impairment losses	(77)	(77)
Total other non-financial assets	8,708	8,086
Total other assets	29,143	25,625

19. Repossessed Collateral

As of 30 June 2025 and 31 December 2024, repossessed collateral in the amount of AZN 1,133 thousand and AZN 1,049 thousand, respectively, is represented by real estate (apartments, land and non-living area), which the Group took possession of, and is available for sale.

20. Amounts Due to Credit Institutions

	30 June 2025	31 December 2024
Term deposits	49,870	18,395
Current accounts	1,752	1,726
Total Amounts Due to Credit Institutions	51,622	20,121

21. Amounts Due to Customers

	30 June 2025	31 December 2024
Current accounts and demand deposits		
- Corporate	635,671	534,440
- Retail	142,425	144,899
Term deposits		
- Retail	497,534	499,262
- Corporate	342,741	193,783
Total Amounts due to customers	1,618,371	1,372,384

Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at AC. Current accounts and deposits of entrepreneurs held with the Group are included in Corporate segment line in the table above.

Economic sector concentrations within customer accounts are as follows:

	30 June 2025		31 December 2024	
	Amount	%	Amount	%
Individuals	639,987	40%	644,161	45%
State and public organisations	434,002	27%	132,528	11%
Oil and gas	277,347	17%	320,391	21%
Financial sector	64,441	4%	42,931	2%
Trade	38,883	2%	69,508	7%
Agriculture	25,924	2%	18,627	3%
Construction	21,475	1%	38,406	3%
Manufacturing	16,979	1%	19,977	2%
Other	99,333	6%	85,855	6%
Total amounts due to customers	1,618,371	100%	1,372,384	100%

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025**

(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

21. Amounts Due to Customers (Continued)

State and public organizations exclude government owned profit-orientated businesses.

As at 30 June 2025, the Group has 5 customers (31 December 2024: 3 customers), whose balances exceed 10% of equity. These balances as at 30 June 2025 total to AZN 681,820 thousand (31 December 2024: AZN 428,080 thousand).

22. Subordinated Borrowings

	Currency	Maturity dates	30 June 2025 nominal interest rate	30 June 2025	31 December 2024 nominal interest rate	31 December 2024
Subordinated borrowings from foreign credit institutions - third parties	USD	2030-2032	9%-10.4%	28,851	8.75%-11.61%	37,409
Total subordinated borrowings				28,851		37,409

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

EMF Microfinance Fund (EMF). There is one active issuance of subordinated debt from EMF with 13 July 2030 maturity date. The rate on the loan facility as stipulated in the underlying agreement is fixed at certain time intervals until maturity.

INCOFIN CVSO CVBA SO (INCOFIN). On 28 March 2023, the Group entered into new synthetic USD subordinated loan agreement with INCOFIN, a Belgian investment company for 8 years in the amount of the equivalent in USD of EUR 2,000,000 at the fixed EUR interest rate per annum.

Responsability. On 30 October 2024, the Group entered into new subordinated debt with Responsibility Sicav and MultiConcept Fund Management S.A., Luxembourg companies, acting on behalf of the investment fund – responsAbility Global Micro and SME Finance Fund - for 8 years in the amount of USD 1,500 thousand, USD 2,000 thousand and USD 1,500 thousand, respectively, at the fixed interest rate per annum.

International Bank of Azerbaijan (IBAR). On 29 March 2024, the Group entered into a new subordinated debt with IBAR for 7 years in the amount of AZN 3,400 thousand at the fixed interest rate per annum.

Other. On 17 September 2024, The Group entered into two subordinated debts with Axundova Motabar for 7 and 8 years in the amount of AZN 5,100 thousand and AZN 2,550 thousand at the fixed interest rate per annum.

For liquidity disclosure refer to Note 29.

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025**

(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

23. Other Borrowed Funds

	30 June 2025	31 December 2024
Loans from local credit institutions:		
The Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan	101,720	96,642
National Entrepreneurship Support Fund (NESF)	106,758	97,915
Agrarian Credit and Development Agency (ACDA)	14,264	14,466
Total loans from local credit institutions	222,742	209,023
Loans from foreign credit institutions:		
Dutch Entrepreneurial Development Bank (FMO)	155,038	83,910
International Finance Corporation (IFC)	69,548	78,535
European Fund for Southeast Europe (EFSE)	64,005	35,857
Asian Development Bank (ADB)	31,223	34,886
European Investment Bank (EIB)	19,464	19,459
European Bank for Reconstruction and Development (EBRD)	43,373	15,508
INCOFIN CVSO CVBA SO (INCOFIN)	6,837	6,841
Responsability	26,833	-
Total loans from foreign credit institutions	416,321	274,996
Repurchase Agreement Liability	32,441	-
Total loans received from local and foreign credit institutions	671,504	484,019

Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan (MCGF). Under this program, funds made available to the Group at interest rates of 1-4% p.a. and the Group further lends these funds to eligible borrowers at rates not higher than 8% p.a. These loans have maturity periods from 7 to 30 years.

National Entrepreneurship Support Fund (NESF). Under this program, funds made available to the Group at an interest rate of 1-2% p.a. and the Group further lends these funds to eligible borrowers at rates not higher than 6% p.a. These loans have maturity periods up to 5 years.

Agrarian Credit and Development Agency under the Ministry of Agriculture (ACDA). Under this program, funds made available to the Group at an interest rate of 1% and 2.5% p.a. and the Group further lends these funds to eligible borrowers at rates 5% and 12% p.a., respectively. The loans are repayable within 3 years from issue date.

In estimating the effective interest rates for term borrowings from NESF, MCGF and ACDA the Group considers this market as a separate market from other commercial borrowing business as these loans are issued to the whole banking sector of Azerbaijan at the same terms, purposes, conditions and credit risk exposures.

Included in loans received from foreign credit institutions are AZN and synthetic AZN loans from third party foreign credit institutions. These loans have original maturity periods from 12 months to 3 years (31 December 2024: original maturity periods from 12 months to 4 years). Interest rates on these loans are fixed on disbursement date and range from 8.03 % to 11.60% as at 30 June 2025 (31 December 2024: fixed and range from 8.9 % to 11.45%).

International Finance Corporation (IFC). The Bank shall pay on outstanding four tranches principal amount at fixed rate per annum in AZN. The Bank shall pay on outstanding principal amount at the sum of relevant spread and SOFR rate per annum in USD.

Dutch Entrepreneurial Development Bank (FMO). The Bank shall pay interest on the AZN loan at a fixed rate per annum and the base rate for such LCY Loan. "Base rate" means in relation to each LCY Loan the Local Currency fixed rate equivalent of SOFR as determined by FMO on the basis of the Hedging Arrangements or if FMO deems SOFR no longer appropriate for the purpose of calculating the Base Rate for the relevant LCY Loan, such other rate as determined by FMO and notified to the Bank.

23. Other Borrowed Funds (Continued)

Asian Development Bank (ADB). The Bank shall pay on outstanding principal amount at fixed rate for first and second tranche, respectively, per annum in AZN.

European Bank for Reconstruction and Development (EBRD). The Bank shall pay interest on synthetic AZN loans at a rate equal to the sum of the relevant margin and the applicable Fixed Interest Rate. "Fixed interest rate" means, with respect to each disbursement, a fixed rate available to EBRD from whatever sources EBRD may select no later than the date of such disbursement, taking into account the principal repayment and interest payment schedules for such disbursement, as such sum may be adjusted to take into account the creditworthiness of the Bank. The margin is fixed in the agreements.

European Fund for Southeast Europe (EFSE). The Bank shall pay interest on synthetic AZN two loans at a rate equal to the sum of the relevant margin and the applicable Fixed Interest Rate. "Fixed interest rate" means, with respect to each disbursement, a fixed rate available to EFSE. Borrowings are synthetic AZN loans, denominated in USD.

INCOFIN CVSO CVBA SO (INCOFIN). The Bank shall pay on outstanding principal amount at fixed rate per annum in AZN.

European Investment Bank (EIB). The Bank shall pay on outstanding principal amount at fixed rate per annum in AZN.

Responsibility. On 5 February 2025, the Group entered into new debt agreements with Responsibility Sicav and MultiConcept Fund Management S.A., Luxembourg companies, acting on behalf of the investment fund – responsAbility Global Micro and SME Finance Fund, for 3 years in the amount of AZN 7,650 thousand, AZN 7,650 thousand, 5,100 thousand and AZN 5,100 thousand, respectively, at the fixed interest rate per annum.

As at 30 June 2025 and 31 December 2024, loans received from local and foreign credit institutions did not include loans from related party foreign credit institutions.

The Group is obligated to comply with financial covenants in relation to loans received from foreign credit institutions. These covenants include debt to equity ratios and various other financial performance ratios. The Group's compliance with these financial covenants is disclosed in Note 31.

24. Bonds Issued

There are 3 active bonds as at 30 June 2025 and all are listed on the Baku Stock Exchange. All bonds were issued on 13 March 2025 and have a maturity date of eight years, with 49, 2, and 4,949 bonds, respectively. The nominal rate is AZN 1,000. The coupons on the bonds are payable quarterly, all with a coupon rate of 8.5%. These issuances were made through public placement and fully purchased by various investors.

	30 June 2025	31 December 2024
Bonds issued on domestic market	8,536	-
Total debt securities in issue	8,536	-

25. Reconciliation of Liabilities Arising from Financing Activities

The table below sets out movements in the Bank's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the condensed consolidated interim statement of cash flows:

	Other Borrowed funds	Subordina ted loans	Bonds issued	Lease liabilities	Total
Liabilities from financing activities at 1 January 2024	322,819	29,899	35,719	4,232	392,669
<i>Cash movements</i>					
Proceeds during the year	340,492	19,550	-	-	360,042
Repayment of principal	(180,291)	(11,900)	(35,000)	-	(227,191)
Payments of interest	(19,552)	(3,623)	(1,488)	(609)	(25,272)
Repayment of lease	-	-	-	(1,194)	(1,194)
<i>Non-cash movements</i>					
Additions	-	-	-	1,083	1,083
Accrual of interest expense	20,551	3,483	769	609	25,412
Modifications	-	-	-	2,543	2,543
Other movements	-	-	-	(713)	(713)
Liabilities from financing activities at 31 December 2024	484,019	37,409	-	5,951	527,379
<i>Cash movements</i>					
Proceeds during the year	501,635	-	-	-	501,635
Repayment of principal	(316,916)	(8,500)	-	-	(325,416)
Payments of interest	(16,880)	(1,717)	(181)	(282)	(19,060)
Repayment of lease	-	-	-	(714)	(714)
<i>Non-cash movements</i>					
Additions	-	-	8,500	-	8,500
Accrual of interest expense	19,646	1,659	217	282	21,804
Modifications	-	-	-	375	375
Other movements	-	-	-	-	-
Liabilities from financing activities at 30 June 2025	671,504	28,851	8,536	5,612	714,503

26. Other Liabilities

	30 June 2025	31 December 2024
Settlements on money transfers and plastic card operations	8,445	1,686
Items in course of settlement	5,255	3,907
Professional fees payable	1,016	894
Other	218	258
Total other financial liabilities	14,934	6,745
Salary and Other Payables to Employees	12,643	15,988
Taxes other than income tax	1,463	1,762
Payable to the Deposit Insurance Fund	941	1,036
Other non-financial liabilities	1,466	1,680
Total other non-financial liabilities	16,513	20,466
Total other liabilities	31,447	27,211

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(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

27. Share Capital

As at 30 June 2025, share capital consists of 30,188 thousand ordinary shares (31 December 2024: 30,188 thousand) with par value of AZN 2.45 each.

The dividends per ordinary shares are as follows:

	30 June 2025	31 December 2024
Dividends payable at 1 January		
Dividends declared during the period	12,558	10,415
Dividends paid during the year	(12,558)	(10,415)
Dividends payable at 30 June and 31 December	-	-
Dividends per share declared during the year	0.42	0.35

28. Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Executive Directors (Corporate and Retail) and the Chief Financial Officer (Treasury), and for which discrete financial information is available.

The Executive Directors and the CFO, who are all members of the Management Board, are responsible for the allocation of resources and the assessment of segment performance. Accordingly, the Management Board collectively fulfills the role of the Chief Operating Decision Maker (CODM) as defined under IFRS 8. Although the Bank has not formally established a CODM position or completed the implementation of internal funds transfer pricing, the Management Board currently performs the CODM function through its regular review of segmental results and decision-making responsibilities related to resource allocation and performance monitoring.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of four main business segments:

- Corporate banking – loan and other credit facilities, current accounts, deposits, dealing operations and other banking products with entrepreneurs (legal entities and individual entrepreneurs).
- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Treasury – interbank lending and borrowings, investment and securities trading activities, foreign exchange services, issuance of bonds and other treasury activities.
- Insurance – compulsory civil productivity insurance of motor vehicle owners, compulsory real estate insurance, vehicle (casco) insurance, travel insurance, fire and other risk property insurance, cargo (transport) insurance, third party civil productivity insurance, personal accident insurance. As of 30 June 2025, total asset, total liabilities and net profit of this segment has been included within one line, such as disposal groups, liabilities of disposal group classified as held for sale, and profit for the period from discontinued operations, respectively. Given that the insurance segment is not material to the Group's operations and is classified as a discontinued operation, management has concluded that it no longer meets the definition of a reportable segment in accordance with IFRS 8 – Operating Segments. Accordingly, it is not presented as a separate segment in these financial statements for current year.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level and different expertise.

Segment financial information reviewed by the Management Board includes operating results and the statement of financial position.

28. Segment Analysis (Continued)

(c) Measurement of operating segment profit or loss, assets and liabilities

The ED reviews financial information prepared based on IFRS, adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from IFRS:

- (i) income taxes are not allocated to segments;
- (ii) loan provisions are recognised based on IFRS 9 with recoveries and cost of recoveries presented on gross basis and allocated between segments,
- (iii) Interest expense is not allocated between segments through internal transfer pricing, as each segment is considered self-sustained and responsible for attracting and managing its own funding. Net results of each segment are positive. Interest expense on other borrowed funds, which are managed centrally by the Treasury, is directly allocated to the respective segments based on their utilization. As a result, there is no intersegment interest income or expense. This approach is consistent with the way management monitors and prepares segment reporting.
- (iv) liquidity management activities, including risk hedging, are included under “treasury” segment.

As stated above, the differences are of allocation, not of measurement nature. The ED evaluates performance of each segment based on net segment result, derived from the activities directly attributable to the responsibilities of the segment.

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the period ended 30 June 2025 is set out below:

	Corporate banking	Retail banking	Treasury	Total
Interest income	87,729	34,384	13,730	135,843
Fee and commission income	8,492	6,684	-	15,176
Total revenues	96,221	41,068	13,730	151,019
Interest expense	(34,913)	(8,196)	(6,702)	(49,811)
Fee and commission expense	(5,817)	(5,036)	(543)	(11,396)
Operating expenses	(32,950)	(22,668)	(2,378)	(57,996)
Gains less losses on foreign exchange operations and translation	4,100	1,926	(468)	5,558
Losses less gains from financial derivatives	-	-	(4,511)	(4,511)
Other income/expense	-	-	428	428
Credit loss allowances release for assets carried at amortised cost	2,692	1,045	546	4,283
Net segment result	29,333	8,139	102	37,574
Net segment result				37,574
Impairment losses on other non-financial assets				(467)
Profit for the period from discontinued operation				32
Income tax charge				(8,039)
Profit for the period				29,100

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***28. Segment Analysis (Continued)**

Segment information for the reportable segments for the period ended 30 June 2024 is set out below:

	Corporate banking	Retail banking	Treasury	Insurance	Eliminations	Total
Interest income	65,943	25,420	16,181	319	(110)	107,753
Fee and commission income	6,698	7,442	-	-	-	14,140
Revenue from insurance contracts	-	-	-	2,150	-	2,150
Total revenues	72,641	32,862	16,181	2,469	(110)	124,043
Interest expense	(25,043)	(9,727)	(1,877)	(17)	110	(36,554)
Losses less gains from financial derivatives	-	-	(3,277)	-	-	(3,277)
Fee and commission expense	(5,288)	(5,375)	(529)	-	-	(11,192)
Operating expenses	(27,789)	(14,887)	(1,554)	(245)	-	(44,475)
Net gain on foreign exchange operations	2,999	1,736	(296)	-	-	4,439
Expenses under insurance contracts	-	-	-	(1,437)	-	(1,437)
Expenses under held reinsurance contracts held	-	-	-	(230)	-	(230)
Financial expenses for insurance contracts issued	-	-	-	(93)	-	(93)
Financial income from reinsurance contracts held	-	-	-	10	-	10
Other income/expense	61	200	85	120	-	466
Credit loss allowances release for assets carried at amortised cost	582	226	-	-	-	808
Net segment result	18,163	5,035	8,733	577	-	32,508
Net segment result						32,508
Interest expense						(851)
Other income/expense						217
Operating expenses						(297)
Income tax charge						(6,715)
Profit for the period						24,862

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***28. Segment Analysis (Continued)**

Segment assets:

30 June 2025	Segment assets	Corporate banking	Retail banking	Treasury
Due from other banks	178,120	-	-	178,120
Loans to customers	1,522,011	1,110,873	411,138	-
Investment securities	124,649	-	-	124,649
Derivative financial assets	4,292	-	-	4,292
Total segment assets	1,829,072	1,110,873	411,138	307,061
Cash and cash equivalents	701,041			
Property and equipment and right of use assets	50,838			
Intangible assets	3,033			
Other assets	29,143			
Repossessed collateral	1,133			
Disposal groups	818			
Total assets as per condensed consolidated interim financial statements	2,615,078			

Segment liabilities:

30 June 2025	Segment liabilities	Corporate banking	Retail banking	Treasury
Amounts due to customers	1,618,371	978,412	639,959	-
Other borrowed funds	671,504	-	-	671,504
Derivative financial liabilities	3,344	-	-	3,344
Subordinated borrowings	28,851	-	-	28,851
Bonds issued	8,536	-	-	8,536
Total segment liabilities	2,330,606	978,412	639,959	712,235
Amounts due to credit institutions	51,622			
Lease liabilities	5,612			
Other liabilities	31,447			
Current income tax liability	2,378			
Deferred income tax liabilities	1,278			
Total liabilities as per condensed consolidated interim financial statements	2,422,943			

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***28. Segment Analysis (Continued)**

Segment assets:

31 December 2024	Segment assets	Corporate banking	Retail banking	Treasury
Due from other banks	155,279	-	-	155,279
Loans to customers	1,456,128	1,143,517	312,611	-
Investment securities	60,548	-	-	60,548
Derivative financial assets	3,465	-	-	3,465
Total segment assets	1,675,420	1,143,517	312,611	219,292
Cash and cash equivalents	373,473			
Property and equipment and right of use assets	49,673			
Intangible assets	3,231			
Other assets	25,625			
Repossessed collateral	1,049			
Goodwill	467			
Disposal groups	1,779			
Total assets as per consolidated financial statements	2,130,717			

Segment liabilities:

31 December 2024	Segment liabilities	Corporate banking	Retail banking	Treasury
Amounts due to customers	1,372,384	661,489	710,895	-
Other borrowed funds	484,019	-	-	484,019
Derivative financial liabilities	2,518	-	-	2,518
Subordinated borrowings	37,409	-	-	37,409
Total segment liabilities	1,896,330	661,489	710,895	523,946
Amounts due to credit institutions	20,121			
Lease liabilities	5,951			
Other liabilities	27,211			
Current income tax liability	4,806			
Deferred income tax liabilities	388			
Liabilities of disposal group classified as held for sale	316			
Total liabilities as per consolidated financial statements	1,955,123			

29. Risk Management Policies

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

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

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

The Group seeks to actively support a diversified and stable funding base comprising long- and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The liquidity management policy requires:

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

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of due from other banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions, is performed by the Treasury Department. Under normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by the Assets and Liabilities Management Committee ("ALMC") and implemented by the Treasury Department.

The following tables show the analysis, by contractual maturities of financial assets, liabilities and credit-related commitments on the basis of their earliest possible expected maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

29. Risk Management Policies (Continued)

The ALMC controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the Group. Overdue interest of loans to customers is included in category 1 year to 5 years in the table below. For derivatives, the table encompasses both asset and liability components. Each derivative contract is reflected on the condensed consolidated interim statement of financial position as either an asset or a liability, whereas the table presents cash flows in terms of inflows and outflows. As a result, the cash flows presented in the table may not directly correspond to the derivative assets and liabilities reported on the condensed consolidated interim statement of financial position.

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29. Risk Management Policies (Continued)

	Weighted average effective interest rate	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
30 June 2025								
Non-derivative assets								
Fixed interest rate instruments								
	AZN – 8.17%							
	RUB – 16.25%							
Cash and cash equivalents	GBP – 4.12%	123,943	55,332	-	-	-	-	179,275
	AZN – 10%							
Due from other banks	USD – 4.07%	51	1,783	19,848	10,391	-	-	32,073
	16.3% - AZN							
Loans to customers	6.56% - USD	124,054	143,855	534,640	621,919	97,543	-	1,522,011
	AZN 7.37%							
Investment securities	USD 4.37%	13	53,908	53,694	13,815	-	-	121,430
Total fixed interest bearing financial assets		248,061	254,878	608,182	646,125	97,543	-	1,854,789
Non-interest bearing financial assets								
Cash and cash equivalents		521,766	-	-	-	-	-	521,766
Due from other banks		146,047	-	-	-	-	-	146,047
Investment securities		-	-	-	-	-	3,219	3,219
Other financial assets		-	20,435	-	-	-	-	20,435
Total non-interest bearing financial assets		667,813	20,435	-	-	-	3,219	691,467
Total non-derivative financial assets		915,874	275,313	608,182	646,125	97,543	3,219	2,546,256
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	AZN – 4.03%	49,871	-	-	-	-	-	49,871
	AZN – 9.33%							
Amounts due to customers	USD – 3.17%	142,935	97,856	455,772	143,712	-	-	840,275
	AZN – 7.43%							
Other borrowed funds	USD – 8.03%	57,170	19,213	122,509	389,834	82,778	-	671,504
Bonds issued	AZN – 8.5%	-	36	-	-	8,500	-	8,536
Lease liabilities	AZN – 9.27%	151	261	1,226	3,892	82	-	5,612
Total fixed interest bearing financial liabilities		250,127	117,366	579,507	537,438	91,360	-	1,575,798
Variable interest rate instruments								
Subordinated borrowings	USD – 9.25%	230	130	145	-	28,346	-	28,851
Total variable interest bearing financial liabilities		230	130	145	-	28,346	-	28,851

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29. Risk Management Policies (Continued)

	Weighted average effective interest rate	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
Non-interest bearing financial liabilities								
Amounts due to credit institutions		1,751	-	-	-	-	-	1,751
Amounts due to customers		778,096	-	-	-	-	-	778,096
Other financial liabilities		-	16,513	-	-	-	-	16,513
Total non-interest bearing financial liabilities		779,847	16,513	-	-	-	-	796,360
Total non-derivative financial liabilities		1,030,240	133,973	579,652	537,438	119,706	-	2,401,009
The effect of derivatives								
- inflow		665	-	655	30,663	-	-	31,983
- outflow		(2,541)	(2,200)	(6,435)	(19,858)	-	-	(31,032)
Net effect of derivatives		(1,876)	(2,200)	(5,780)	10,805	-	-	949
Liquidity gap		(116,206)	139,104	22,750	119,492	(22,162)		
Cumulative liquidity gap		(116,206)	22,898	45,648	165,140	142,977		
Interest sensitivity gap		(2,296)	137,382	28,530	108,687	(22,163)		

Bank Respublika OJSC
Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

29. Risk Management Policies (Continued)

	Weighted average effective interest rate	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
31 December 2024								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents	AZN – 7.58% Other – 7.50%	13,267	22,217	-	-	-	-	35,484
Due from other banks	AZN - 8.00% USD - 4.41%	50	-	1,865	9,899	-	-	11,814
Loans to customers	15.5% - AZN 6.07% - USD	80,183	116,142	543,205	646,763	69,835	-	1,456,128
Investment securities	7.19%- AZN 5% - USD	1,193	780	46,029	9,331	-	-	57,333
Total fixed interest bearing financial assets		94,693	139,139	591,099	665,993	69,835	-	1,560,759
Non-interest bearing financial assets								
Cash and cash equivalents		337,989	-	-	-	-	-	337,989
Due from other banks		143,465	-	-	-	-	-	143,465
Investment securities		-	-	-	-	-	3215	3215
Other financial assets		-	17,539	-	-	-	-	17,539
Total non-interest bearing financial assets		481,454	17,539	-	-	-	3215	502,208
Total non-derivative financial assets		576,147	156,678	591,099	665,993	69,835	3215	2,062,967
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	7.66%	15,016	-	3,379	-	-	-	18,395
Amounts due to customers	7.67%	28,043	122,306	328,836	213,860	-	-	693,045
Other borrowed funds	6.46%	26,995	7,850	92,343	281,622	75,209	-	484,019
Lease liabilities	9.13%	188	223	1,068	4,348	124	-	5,951
Total fixed interest bearing financial liabilities		70,242	130,379	425,626	499,830	75,333	-	1,201,410
Variable interest rate instruments								
Subordinated borrowings	9.80%	559	-	-	-	36,850	-	37,409
Total variable interest bearing financial liabilities		559	-	-	-	36,850	-	37,409

Bank Respublika OJSC
Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

29. Risk Management Policies (Continued)

	Weighted average effective interest rate	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
Non-interest bearing financial liabilities								
Amounts due to credit institutions		1,726	-	-	-	-	-	1,726
Amounts due to customers		679,339	-	-	-	-	-	679,339
Other financial liabilities		-	6,745	-	-	-	-	6,745
Total non-interest bearing financial liabilities		681,065	6,745	-	-	-	-	687,810
Total non-derivative financial liabilities		751,866	137,124	425,626	499,830	112,183	-	1,926,629
The effect of derivatives								
- inflow		943	-	814	20,693	-	-	22,450
- outflow		(1,869)	(747)	(5,359)	(13,528)	-	-	(21,503)
Net effect of derivatives		(926)	(747)	(4,545)	7,165	-	-	947
Liquidity gap		(176,645)	18,807	160,928	173,328	(42,348)		
Cumulative liquidity gap		(176,645)	(157,838)	3,090	176,418	134,070		
Interest sensitivity gap		23,892	8,760	165,473	166,163	(42,348)		

29. Risk Management Policies (Continued)

Interest rate gaps are managed principally through refinancing of interest bearing liabilities maturing in respective maturity bands with liabilities at equal or lower interest rates.

In accordance with Azerbaijani legislation, individuals and legal entities can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The Management of the Group does not expect that individuals and legal entities withdraw their term deposits before their stated maturity dates.

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than one month in the tables above. Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group indicates that these customer accounts provide a long-term and stable source of funding for the Group.

The tables below show liabilities by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. The tables below show the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities. For derivatives, the table encompasses both asset and liability components. Each derivative contract is reflected on the condensed consolidated interim statement of financial position as either an asset or a liability, whereas the table presents cash flows in terms of inflows and outflows. As a result, the cash flows presented in the table may not directly correspond to the derivative assets and liabilities reported on the condensed consolidated interim statement of financial position.

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***29. Risk Management Policies (Continued)**

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total gross amount	Total carrying amount
30 June 2025								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents	123,943	55,332	-	-	-	-	179,275	179,275
Due from other banks	51	1,783	19,848	10,391	-	-	32,073	32,073
Loans to customers	124,054	143,855	534,640	621,919	97,543	-	1,522,011	1,522,011
Investment securities	13	53,908	53,694	13,815	-	-	121,430	121,430
Total fixed interest bearing financial assets	248,061	254,878	608,182	646,125	97,543	-	1,854,789	1,854,789
Non-interest bearing financial assets								
Cash and cash equivalents	521,766	-	-	-	-	-	521,766	521,766
Due from other banks	146,047	-	-	-	-	-	146,047	146,047
Investment securities	-	-	-	-	-	3,219	3,219	3,219
Other financial assets	-	20,435	-	-	-	-	20,435	20,435
Total non-interest bearing financial assets	667,813	20,435	-	-	-	3,219	691,467	691,467
Total non-derivative financial assets	915,874	275,313	608,182	646,125	97,543	3,219	2,546,256	2,546,256

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***29. Risk Management Policies (Continued)**

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total gross amount	Total carrying amount
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to customers	144,199	103,312	478,271	162,862	-	-	888,644	840,275
Amounts due to credit institutions	49,875	-	-	-	-	-	49,875	49,871
Other borrowed funds	57,957	25,792	153,499	436,991	130,848	-	805,087	671,504
Bonds issued	-	181	361	2,890	10,487	-	13,919	8,536
Lease liabilities	163	325	1,464	4,207	86	-	6,245	5,612
Total fixed interest bearing	252,194	129,610	633,595	606,950	141,421	-	1,763,770	1,575,798
Variable interest rate instruments								
Subordinated borrowings	247	535	2,051	13,022	30,620	-	46,475	28,851
Total variable interest bearing	247	535	2,051	13,022	30,620	-	46,475	28,851
Non-interest bearing instruments								
Amounts due to credit institutions	1,751	-	-	-	-	-	1,751	1,751
Amounts due to customers	778,096	-	-	-	-	-	778,096	778,096
Other financial liabilities	-	16,513	-	-	-	-	16,513	16,513
Guarantees issued and similar	3,038	18,599	54,345	15,701	-	-	91,683	(586)
Commitments on loans and unused	28,468	-	-	-	-	-	28,468	(30)
Total non-interest bearing financial	811,353	35,112	54,345	15,701	-	-	916,511	795,744
Total financial liabilities and	1,063,794	165,257	689,991	635,673	172,041	-	2,726,756	2,400,393
The effect of derivatives held for risk management								
- inflow	667	-	670	30,712	-	-	32,049	4,292
- outflow	(2,547)	(2,207)	(6,666)	(22,808)	-	-	(34,228)	(3,344)
Net effect of derivatives held for	(1,880)	(2,207)	(5,996)	7,904	-	-	(2,179)	948
Liquidity gap	(149,800)	107,849	(87,805)	18,356	(74,498)			
Cumulative liquidity gap	(149,800)	(41,951)	(129,756)	(111,400)	(185,898)			

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***29. Risk Management Policies (Continued)**

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total gross amount	Total carrying amount
31 December 2024								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents	13,267	22,217	-	-	-	-	35,484	35,484
Due from other banks	50	-	1,865	9,899	-	-	11,814	11,814
Loans to customers	80,183	116,142	543,205	646,763	69,835	-	1,456,128	1,456,128
Investment securities	1,193	780	46,029	9,331	-	-	57,333	57,333
Total fixed interest bearing financial assets	94,693	139,139	591,099	665,993	69,835	-	1,560,759	1,560,759
Non-interest bearing financial assets								
Cash and cash equivalents	337,989	-	-	-	-	-	337,989	337,989
Due from other banks	143,465	-	-	-	-	-	143,465	143,465
Investment securities	-	-	-	-	-	3215	3215	3215
Other financial assets	-	17,539	-	-	-	-	17,539	17,539
Total non-interest bearing financial assets	481,454	17,539	-	-	-	3215	502,208	502,208
Total non-derivative financial assets	576,147	156,678	591,099	665,993	69,835	3215	2,062,967	2,062,967

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***29. Risk Management Policies (Continued)**

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total gross	Total carrying amount
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	15,052	-	3,440	-	-	-	18,492	18,395
Amounts due to customers	28,696	126,785	347,507	235,743	-	-	738,731	693,045
Other borrowed funds	23,935	13,055	115,356	326,722	98,883	-	577,951	484,019
Lease liabilities	162	323	1,423	5,067	138	-	7,113	5,951
Total fixed interest bearing financial liabilities	67,845	140,163	467,726	567,532	99,021	-	1,342,287	1,201,410
Variable interest rate instruments								
Subordinated borrowings	301	602	2,707	14,439	40,890	-	58,939	37,409
Total variable interest bearing financial liabilities	301	602	2,707	14,439	40,890	-	58,939	37,409
Non-interest bearing instruments								
Amounts due to credit institutions	1,726	-	-	-	-	-	1,726	1,726
Amounts due to customers	679,339	-	-	-	-	-	679,339	679,339
Other financial liabilities	-	6,745	-	-	-	-	6,745	6,745
Guarantees issued and similar commitments	131,378	-	-	-	-	-	131,378	(222)
Commitments on loans and unused credit lines	22,209	-	-	-	-	-	22,209	(38)
Total non-interest bearing financial liabilities and	834,652	6,745	-	-	-	-	841,397	687,550
Total financial liabilities and commitments	902,798	147,510	470,433	581,971	139,911	-	2,242,623	1,926,369
The effect of derivatives held for risk management								
- inflow	945	-	833	20,806	-	-	22,584	3,465
- outflow	(1,871)	(752)	(5,481)	(15,524)	-	-	(23,628)	(2,518)
Net effect of derivatives held for risk management	(926)	(752)	(4,648)	5,282	-	-	(1,044)	947
Liquidity gap	(327,577)	8,416	116,018	89,304	(70,076)			
Cumulative liquidity gap	(327,577)	(319,161)	(203,143)	(113,839)	(183,915)			

30. Capital Risk Management

The Central Bank of Azerbaijan Republic (CBAR) requires banks to maintain certain regulatory ratios based on regulatory reporting standards.

The objectives of management when managing the Bank's and Group's capital are (i) to comply with the capital requirements set by the CBAR, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on Basel Capital Accord of at least 6.50%.

Under the current regulatory capital requirements set by the CBAR banks have to: (a) hold the minimum level of total statutory capital of AZN 50,000 thousand (31 December 2024: AZN 50,000 thousand); (b) maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") at or above a prescribed minimum of 12.5% (31 December 2024: 12%) and (c) maintain a ratio of Tier-1 capital to the risk-weighted assets (the 'Tier-1 capital ratio') at or above the prescribed minimum of 6.5% (31 December 2024: 6%).

The calculation of capital adequacy based on the prudential reports prepared by the Group in accordance with the prudential regulations set by the CBAR was as follows:

	30 June 2025	31 December 2024
Total statutory capital	238,098	222,297
Risk-weighted assets	1,689,535	1,650,790
Capital adequacy ratio (%)	14.09%	13.47%

The regulatory guidelines on capital adequacy are mostly based on Basel Capital Accord requirements with some differences related to inclusion of additional components into total capital as well as to calculation of allowance for impairment losses on loans to customers, which is determined per the prudential rules on loan loss provisioning.

As at 31 December 2024, the Bank was in compliance with all these ratios except for maximum credit exposure of a Bank on unsecured loan which was 23.57% whereas the ratio should not exceed 10%. This was the result of investment to the bonds of government related company. However, waiver for that ratio was obtained from CBAR in 2020 for the lifetime of this investment. The bond has matured and was fully repaid by 30 June 2025. As at 30 June 2025, the Bank was in compliance with all regulatory ratios.

31. Commitments and Contingencies

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the condensed consolidated interim statement of financial position.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The contractual amounts of credit related commitments are set out in the following table by category. The amounts reflected in the table for credit related commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if the counterparties failed completely to perform as contracted.

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***31. Commitments and Contingencies (Continued)**

As at 30 June 2025 and 31 December 2024, credit-related commitments comprise:

	30 June 2025	31 December 2024
Credit-related commitments		
Guarantees issued and similar commitments	91,683	131,378
Commitments on loans and unused credit lines	28,468	22,209
Total credit-related commitments, gross	120,151	153,587
Less: provisions for credit related commitments	(616)	(260)
Total credit related commitments, net of provision	119,535	153,327

Legal proceedings

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

Taxation

The taxation system in Azerbaijan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for three subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Azerbaijani tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

Operating environment

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, the Group policy requires compliance with all applicable legal and regulatory requirements.

The Group manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

Compliance with covenants

The Group has agreed to comply with certain financial and business covenants in various financing and similar agreements.

As at 30 June 2025 and 31 December 2024, the Group was in compliance with all its financial covenants.

32. Related Party Transactions

Transactions between entities in the Group have been eliminated on consolidation and are not disclosed in this Note. The outstanding balances and the related average effective interest rates as at 30 June 2025 and related profit or loss amounts of transactions for the period ended 30 June 2025 with related parties are as follows:

	Shareholders		Entities under common control		Key management personnel of the Group		Total amount
	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	
Consolidated statement of financial position							
ASSETS							
Loans to customers							
Gross balance	87	6% AZN	-	-	91	7.5% AZN	178
Loss allowance	(1)		-	-	(1)		(2)
LIABILITIES							
Amounts due to customers	3,377	5.67% AZN	1,800	-	241	9.88% AZN 3.5% USD	5,419
Profit / (loss)							
Interest income	16		82	-	48		146
Interest expense	-		-	-	(19)		(19)
Fee and commission expense	(2)		-	-	-		(2)
Recovery of impairment/(Impairment losses)	(1)		-	-	3		2
Operating expenses	(2)		-	-	(8,199)		(8,201)

There is only one shareholder with more than 20% ownership of the Group's shares, and transactions and balances with the shareholder have been disclosed in the table. Entities under common control are companies where key shareholders have control or significant influence.

Total remuneration included in personnel expenses for the periods ended 30 June 2025 and 30 June 2024 is as follows:

	30 June 2025	30 June 2024
Short-term employee benefits	7,114	2,788
Pension and other contributions	1,085	443
	8,199	3,231

These amounts include cash and non-cash benefits in respect of members of the Supervisory Board and the Management Board.

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements - 30 June 2025***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32. Related Party Transactions (Continued)**

The outstanding balances and the related average effective interest rates as at 31 December 2024 and related profit or loss amounts of transactions for the year ended 31 December 2024 with related parties are as follows:

	Shareholders		Entities under common control		Key management personnel of the Group		Total amount
	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	
Consolidated statement of financial position							
ASSETS							
Loans to customers							
Gross balance	-		-		1,061	11.6% AZN	1,061
Loss allowance	-		-		(4)		(4)
LIABILITIES							
Amounts due to customers	247		879		1,964	9.6% AZN 3.2% USD	3,090
Profit / (loss)							
Interest income	-		459		117		576
Interest expense	-		-		(19)		(19)
Fee and commission expense	(3)		-		(12)		(15)
Recovery of impairment/(Impairment losses)	-		7		5		12
Operating expenses	-		-		(4,224)		(4,224)

There is only one shareholder with more than 20% ownership of the Group's shares, and transactions and balances with the shareholder have been disclosed in the table. Entities under common control are companies where key shareholders have control or significant influence.

33. Fair Values Disclosures

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis.

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

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

The table below analyses financial instruments measured at fair value at 30 June 2025, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the consolidated statement of financial position:

	Level 3	Total
Assets at fair value		
Financial assets		
Investment securities designated as at FVOCI - equity instruments	3,219	3,219
Derivative assets	4,292	4,292
Non-financial assets		
Buildings	32,044	32,044
Total assets with recurring fair value measurements	39,555	39,554
Liabilities carried at fair value		
Financial liabilities		
Derivative liabilities	(3,344)	(3,344)
Total liabilities with recurring fair value measurements	(3,344)	(3,344)

The table below analyses financial instruments measured at fair value at 31 December 2024, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the consolidated statement of financial position:

	Level 3	Total
Assets at fair value		
Financial assets		
Investment securities designated as at FVOCI - equity instruments	3,215	3,215
Derivative assets	3,465	3,465
Non-financial assets		
Buildings	30,760	30,760
Total assets with recurring fair value measurements	37,440	37,440
Liabilities carried at fair value		
Financial liabilities		
Derivative liabilities	(2,518)	(2,518)
Total liabilities with recurring fair value measurements	(2,518)	(2,518)

There were no transfers between Level 1 and 2 in the period.

33. Fair Values Disclosures (Continued)

The following table shows a reconciliation for the period ended 30 June 2025 for fair value measurements in Level 3 of the fair value hierarchy. The fair value of derivatives is determined using the Discounted Cash Flow (DCF) model. Future cash flows are converted into a reporting currency using forward exchange rates, which are derived from the interest rate differentials between the AZN and USD.

	Level 3			Total
	Derivative assets	Derivative liabilities	Equity investments	
			Financial instruments at fair value through other comprehensive income	
			Financial instruments at fair value through profit or loss	
Balance at beginning of the year	3,465	(2,518)	3,215	4,162
Fair value gains or losses from equity investments	-	-	-	-
Fair value gains or losses from derivative financial instruments	827	(826)	-	1
Interest expense, net	2,536	1,975	-	4,511
Interest paid, net	(2,536)	(1,975)	-	(4,511)
Effect of changes in exchange rates	-	-	4	4
Balance at end of the year	4,292	(3,344)	3,219	4,167

The following table shows a reconciliation for the year ended 31 December 2024 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3			Total
	Derivative assets	Derivative liabilities	Equity investments	
			Financial instruments at fair value through other comprehensive income	
			Financial instruments at fair value through profit or loss	
Balance at beginning of the year	3,825	(2,943)	3,215	4,097
Fair value gains or losses from derivative financial instruments	(360)	425	-	65
Interest expense, net	(4,166)	(3,027)	-	(7,193)
Interest paid, net	4,166	3,027	-	7,193
Balance at end of the year	3,465	(2,518)	3,215	4,162

As part of its trading activities, the Group enters into OTC-structured derivatives (primarily interest rate cross currency swaps indexed to credit spreads, foreign exchange rates and interest rates) with international financial institutions and domestic banks. Some of these instruments are valued using models with significant unobservable inputs, principally expected long-term volatilities and expected correlations between different underlyings.

As at 30 June 2025, to determine the fair value of the swaps, management assumed interest rates within the range of 5.23%-6.63% and 1.82%-4.49% in AZN and USD, respectively (31 December 2024: within the range of 2.53%-7.10% and 4.10%-4.48% in AZN and USD, respectively).

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

33. Fair Values Disclosures (Continued)

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 30 June 2025:

	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
- Derivative financial assets	4,292	Discounted cash flows ("DCF")	CBAR notes and US T-bill yield curve	7.10% - 8.50% (CBAR) 3.44%-4.49% (T-bills)	± 10 %	+2,897/ -2,987
- Investment Securities(Corporate shares)	3,218	Gordon Growth Model	US T-bill yield curve/ ERP/ GDP growth rate	4.86% /7.67% /1.4%-4.1%	± 1 %	-284/+349
NON-FINANCIAL ASSETS						
- Buildings	32,044	Mix of market and income approach	Per m2 price/Capitalization rate	6 – 99 AZN, 4.3% - 8.3%	± 10 %	+1,451/ -2,178 and +1,366/ -1,691
LIABILITIES AT FAIR VALUE						
- Derivative financial liabilities	(3,344)	Discounted cash flows ("DCF")	CBAR notes and US T-bill yield curve	7.10% - 8.50% (CBAR) 3.44%-4.49% (T-bills)	± 10 %	-1,657/ +1,716

33. Fair Values Disclosures (Continued)

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2024:

	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
- Derivative financial assets	3,465	Discounted cash flows ("DCF")	CBAR notes and US T-bill yield curve	6.25% - 10.75% (CBAR) 3.22%-4.448% (T-bills)	± 10 %	+1,566/ -1,631
- Investment Securities(Corporate shares)	3,215	Gordon Growth Model	US T-bill yield curve/ ERP/ GDP growth rate	4.86% /7.67% /1.4%-4.1%	± 1 %	-284/+349
NON-FINANCIAL ASSETS						
- Buildings	30,760	Mix of market and income approach	Per m2 price/Capitalization rate	6 – 99 AZN, 4.3% - 8.3%	± 10 %	+1,451/ -2,178 and +1,366/ -1,691
LIABILITIES AT FAIR VALUE						
- Derivative financial liabilities	2,518	Discounted cash flows ("DCF")	CBAR notes and US T-bill yield curve	6.25% - 10.75% (CBAR) 3.22%-4.448% (T-bills)	± 10 %	+113/-116

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized as at 30 June 2025:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
ASSETS					
Investment securities	120,951	1,047	-	121,998	121,430
Due from other banks	-	181,417	-	181,417	178,120
Loans to customers	-	-	1,535,024	1,535,024	1,522,011
LIABILITIES					
Amounts due to customers:					
- Current accounts and demand deposits	-	778,096	-	778,096	778,096
- Term deposits	-	-	839,755	839,755	840,275
Subordinated borrowings	-	-	30,282	30,282	28,851
Other borrowed funds	-	705,970	-	705,970	671,504

33. Fair Values Disclosures (Continued)

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized as at 31 December 2024:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
ASSETS					
Investment securities	21,929	35,000	-	56,929	57,333
Due from other banks	-	157,317	-	157,317	155,279
Loans to customers	-	-	1,473,359	1,473,359	1,456,128
LIABILITIES					
Amounts due to customers:					
- Current accounts and demand deposits	-	679,340	-	679,340	679,339
- Term deposits	-	-	695,021	695,021	693,045
Subordinated borrowings	-	-	40,204	40,204	37,409
Other borrowed funds	-	472,816	-	472,816	484,019

The Group uses the following information in calculation of fair value of financial instruments not measured at fair value based on the type of instrument and availability of observable data in the relevant market in the order of priority (from the most to the least observable data):

- Due from other banks and Amounts due to credit institutions: analogical market rates disclosed in the statistical bulletin issued by the Central Bank of the Republic of Azerbaijan.
- Investment securities: depending on the measurement Level, Group uses the price of the instrument as of reporting date based on daily quotations or applies income approach using identical assets.
- Loans to customers: expected present value technique, where risk premium is incorporated either into contractual cash flows or into discount rate, defined as the risk-free rate plus the risk premium determined for loan portfolios based on similar characteristics (from credit risk quality point of view). The Group also benchmarks discount rates to interest rates observable from the published regulatory statistics on loans based on relevant maturity.
- Amounts due to customers, Other borrowed funds: Current accounts are short-term non-interest-bearing liabilities and their carrying value approximate fair value.

Term-deposits, fair value of amount due to banks, credit institutions and government funds is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturity.

- Borrowings from government funds, where no observable rates are available a Bank will price those instruments at base rate (refinancing or government bond rates) adjusted for non-performance risk (credit risk premium) of the Bank.
- Bonds issued: those with daily quotations for identical assets are in Level 1 measurement category and the price as of reporting date would be taken as such for disclosure purpose. The price of the bond is estimated by comparing it to corporate bonds with an active market, and that have similar maturities, coupon rates, and credit rating. The discount rate is determined as the risk free rate + credit risk premium of the Issuer.

33. Fair Values Disclosures (Continued)

As at 30 June 2025, to determine the fair value of financial instruments not measured at fair value, management used interest rates within the range of 11.91%-18.14% and 7.62%-8.13% in AZN and foreign currencies, respectively for loans to customers (31 December 2024: within range of 11.19%-17.74% and 7.5%-8.2% in AZN and foreign currencies, respectively), and within the range of 6.75%-9.03% and 2.12%-6.01% in AZN and foreign currencies, respectively for deposits from customer (31 December 2024: within range of 6.39%-9.16% and 2.49%-3.36% in AZN and foreign currencies, respectively).

The estimates of fair value are intended to approximate 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

34. Events after the End of the Reporting Period

Other Borrowed Funds. The Group took on new tranches in amount of USD 20,000 thousand from existing borrowings with FMO in the period after 30 June 2025.

Subordinated Borrowings. The Group prepaid subordinated loans totalling USD 3,000 thousand in July 2025 to EMF ahead of their scheduled maturity in 2030.

Investment Securities. In July 2025, The Bank has disposed of its 10% equity investment in "Milli Kart LLC", which had a value of AZN 124,000.

Investment in Subsidiaries. On 13 August 2025, the Group has acquired the remaining non-controlling interest shares of its subsidiary, Baku Insurance OJSC, thereby becoming the sole owner with 100% shareholding.