

“BANK RESPUBLIKA” OJSC

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

31 December 2024

Contents

Independent Auditor's Report

Consolidated Financial Statements

Consolidated statement of profit or loss and other comprehensive income	1
Consolidated statement of financial position	2
Consolidated statement of cash flows	3
Consolidated statement of changes in equity	4

Notes to the Consolidated Financial Statements

1. Introduction.....	5
2. Operating Environment of the Group.....	5
3. Material Accounting Policies	6
4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies.....	16
5. Adoption of New or Revised Standards and Interpretations	18
6. New Accounting Pronouncements.....	19
7. Net Interest Income	21
8. Expected Credit Losses on Interest Bearing Assets	21
9. Gains less losses on foreign exchange operations and translation	21
10. Fee and Commission Income and Expense.....	22
11. Other Income, Net.....	22
12. Operating Expenses.....	22
13. Income Taxes.....	23
14. Cash and Cash Equivalents	25
15. Due from Other Banks	26
16. Loans to Customers	27
17. Investment Securities.....	43
18. Derivative Financial Instruments	45
19. Property and Equipment, Right of Use Assets, and Intangible Assets	46
20. Other Assets.....	47
21. Repossessed Collateral.....	48
22. Amounts Due to Credit Institutions	48
23. Amounts Due to Customers.....	48
24. Subordinated Borrowings	49
25. Other Borrowed Funds	49
26. Bonds Issued	51
27. Reconciliation of Liabilities Arising from Financing Activities.....	51
28. Other Liabilities	52
29. Share Capital	52
30. Segment Analysis.....	52
31. Risk Management Policies.....	57
32. Capital Risk Management	78
33. Commitments and Contingencies	79
34. Non-Controlling Interest.....	81
35. Related Party Transactions.....	82
36. Fair Values Disclosures.....	84
37. Events after the End of the Reporting Period.....	88



Independent Auditor's Report

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bank Respublika OJSC (the "Bank") and its subsidiary (together – the "Group") as at 31 December 2024, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024;
- the consolidated statement of financial position as at 31 December 2024;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated 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 consolidated 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.

Our audit approach

Overview

	<ul style="list-style-type: none"> Overall Group materiality: AZN 3,300 thousand, which represents 5% of profit before tax from continuing operations.
	<ul style="list-style-type: none"> We have undertaken a full-scope audit of the Bank's financial results and performed limited audit procedures on the subsidiary included in the consolidated financial statements of the Group.
	<ul style="list-style-type: none"> Assessment of expected credit losses (ECL) allowance for loans to customers in accordance with IFRS 9, Financial Instruments.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated 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 consolidated 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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated 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 consolidated financial statements as a whole.

Overall Group materiality	AZN 3,300 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 304 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Assessment of expected credit losses (ECL) allowance for loans to customers in accordance with IFRS 9, Financial Instruments.</p> <p>Measurement of ECL is a significant estimate that involves determination of methodology, models and material data inputs.</p> <p>We considered the impairment of loans to customers, as a key audit matter due to the significance of loans to customer balance and a complex financial reporting standard, which requires significant judgement to determine the ECL allowance. The Group uses the collective impairment assessment approach for over 99% of gross amount of its total loans to customers portfolio.</p> <p>Key areas of judgement in determining the ECL allowance included:</p> <ul style="list-style-type: none"> • Classification of loans to customers into stages in accordance with IFRS 9; • Key estimates and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default. <p>Note 3 “Material Accounting Policies”, Note 4 “Critical Accounting Estimates, and Judgements in Applying Accounting Policies”, and Note 16 “Loans to Customers” and Note 31 “Risk Management Policies” to the consolidated financial statements provide detailed information on the credit loss allowance.</p>	<p>The below is a summary of our audit work performed.</p> <p>We obtained an understanding of the Group’s process for estimating ECL, judgments that are significant to the ECL estimate, the sufficiency of the information to support those judgments and the degree of estimation uncertainty inherent in those judgments.</p> <p>We assessed the appropriateness of the methodology and models used for calculating ECL allowance developed by the Group to evaluate their compliance with the requirements of IFRS 9.</p> <p>This included assessing:</p> <ul style="list-style-type: none"> • the appropriateness of the Group’s approach to the segmentation of the loan portfolio; and • the appropriateness of the statistical methodology to calculate different parameters including PD, LGD and credit conversion factors. <p>With regard to the controls relating to the credit loss allowance calculation process, we assessed and tested on a sample basis the design and operating effectiveness of the key controls over credit loss data and calculations. These key controls included those over loan authorization and accuracy of input of customer data into the loan system, including authorisation of loan standing data amendments, allocation of cash received from customers to respective loans to customers’ accounts, overdue days count on delinquent loans and automated calculation of risk parameters and ECL figures.</p>



Key audit matter	How our audit addressed the key audit matter
	<p>We undertook detailed testing on the following:</p> <ul style="list-style-type: none"> • tested, on a sample basis, the accuracy of allocation of loans to the different “stages” and the completeness of identified restructured credit-impaired loans; • validation of model risk parameters (PD, LGD and EAD), forward-looking information, associated weighting and the ECL calculation; • back-testing of probabilities of default (PD) and loss given default (LGD) risk parameters. <p>In our work we were supported by our IT risk experts in validation of the ECL outputs from the calculation engine implemented by the Group for expected credit loss calculations.</p> <p>We assessed the adequacy and appropriateness of disclosures made in the consolidated financial statements regarding the expected credit loss allowance for loans to customers in accordance with IFRS Accounting Standards.</p>

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 consolidated 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 consolidated financial statements of the Group were covered through limited audit procedures.

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

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

In preparing the consolidated 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purpose 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.

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

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

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

PricewaterhouseCoopers Audit Azərbaycan LLC

Baku, the Republic of Azerbaijan
30 April 2025

Bank Respublika OJSC**Statement of Profit or Loss and Other Comprehensive Income***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)*

	Note	2024	2023
Interest income calculated using the effective interest method	7	226,836	182,783
Interest expense	7	(77,530)	(64,058)
Net interest income		149,306	118,725
Credit loss allowance (charge for)/ release of assets carried at amortized cost	8	(326)	901
Net interest income after credit loss allowance		148,980	119,626
Fee and commission income	10	32,456	29,634
Fee and commission expense	10	(23,342)	(22,812)
Gains less losses on foreign exchange operations and translation	9	10,072	11,138
Impairment losses on other non-financial assets	21	(1,100)	-
Losses less gains from financial derivatives	18	(7,128)	(7,946)
Other income	11	2,025	1,572
Net non-interest income		12,983	11,586
Operating income from banking activity		161,963	131,212
Operating expenses	12	(95,305)	(81,214)
Profit before income tax from continuing operations		66,658	49,998
Income tax expense	13	(15,846)	(10,978)
Profit for the year from continuing operations		50,812	39,020
Discontinued operations			
Profit/(Loss) for the year from discontinued operations		569	(205)
PROFIT FOR THE YEAR		51,381	38,815
Other comprehensive income/loss			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of buildings		-	3,811
Income tax recorded directly in other comprehensive income		(488)	(762)
Gains less losses on investments in equity securities at fair value through other comprehensive income		2,441	-
Other comprehensive (loss)/income for the year		1,953	3,049
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		53,334	41,864
Profit attributable to:			
- Owners of the Parent		51,291	38,771
- Non-controlling interest	34	90	44
Profit for the year		51,381	38,815
Total comprehensive income attributable to:			
- Owners of the Parent		53,244	41,820
- Non-controlling interests	34	90	44
Total comprehensive income for the year		53,334	41,864
Earnings per share for profit attributable to the owners of the Parent, basic and diluted (expressed in AZN per share)		1.699	1.284

The consolidated financial statements as set out on pages 5 to 88 were approved by management on 30 April 2025 and were signed on its behalf by:

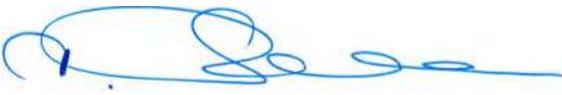
Mr. Tariyel Ismayilov
Chairman of the Management Board

Mr. Javid Rzayev
Head of Finance Department

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

	Note	31 December 2024	31 December 2023
ASSETS			
Cash and cash equivalents	14	373,473	593,360
Due from other banks	15	155,279	146,056
Loans to customers	16	1,456,128	1,150,200
Investment securities	17	60,548	63,843
Derivative financial assets	18	3,465	3,825
Property and equipment and right of use assets	19	49,673	48,098
Intangible assets	19	3,231	3,311
Reposessed collateral	21	1,049	2,963
Deferred income tax assets	13	-	1,023
Other financial assets	20	17,539	16,354
Other assets	20	8,086	4,938
Reinsurance contract assets		-	270
Goodwill		467	467
Disposal groups		1,779	-
TOTAL ASSETS		2,130,717	2,034,708
LIABILITIES			
Amounts due to credit institutions	22	20,121	5,009
Amounts due to customers	23	1,372,384	1,472,969
Other borrowed funds	25	484,019	322,819
Lease liabilities	19	5,951	4,232
Derivative financial liabilities	18	2,518	2,943
Other financial liabilities	28	6,745	9,168
Other liabilities	28	20,466	13,154
Current income tax liability		4,806	2,880
Bonds issued	26	-	35,719
Subordinated borrowings	24	37,409	29,899
Insurance contract liabilities		-	2,559
Deferred income tax liabilities		388	62
Liabilities directly associated with disposal groups held for sale		316	-
TOTAL LIABILITIES		1,955,123	1,901,413
EQUITY			
Share capital	29	73,961	73,961
Revaluation reserve for buildings		10,682	10,682
Other reserve	17	2,441	-
Retained earnings		87,692	47,304
Insurance finance reserve		1	1
Total equity attributable to owners of the Parent		174,777	131,948
Non-controlling interest	34	817	1,347
TOTAL EQUITY		175,594	133,295
TOTAL LIABILITIES AND EQUITY		2,130,717	2,034,708


Mr. Tariyel Ismayilov
Chairman of the Management Board


Mr. Javid Rzayev
Head of Finance Department

Bank Respublika OJSC**Consolidated Statement of Cash Flows***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)*

	Note	2024	2023
Cash flows from operating activities			
Interest received		224,689	182,967
Interest paid		(50,334)	(31,824)
Fees and commissions received		32,456	29,634
Fees and commissions paid		(23,342)	(22,812)
Realized gains less losses from exchange transactions in		9,930	10,464
Personnel expenses paid		(62,423)	(56,189)
Administrative expenses paid		(23,482)	(20,196)
Net losses on operations with foreign currency derivatives		(7,193)	(7,985)
Other operating income received		1,645	951
Income tax paid		(12,997)	(16,469)
Cash flows from operating activities before changes in operating assets and liabilities		88,949	68,541
<i>Net (increase)/decrease in operating assets</i>			
Due from other banks		(13,552)	(78,359)
Loans to customers		(305,274)	(191,752)
Repossessed collateral		452	1,281
Other assets		(4,782)	(1,019)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to credit institutions		13,842	(3,962)
Amounts due to customers		(101,708)	467,016
Other liabilities		1,749	615
Net cash flows (used in)/from operating activities - Continued operations		(320,324)	262,361
Net cash from/ (used in) operating activities - Discontinued operations		2,497	(377)
Net cash flows (used in)/from operating activities		(317,827)	261,984
Cash flows from investing activities			
Purchase of property and equipment		(4,494)	(7,373)
Acquisition of intangible assets		(800)	(1,578)
Proceeds from disposal of property and equipment		40	4,242
Purchase of debt securities		(25,478)	(150,012)
Proceeds from redemption of debt securities carried at amortised cost		29,942	136,906
Interest income received on investments in debt securities		1,499	1,740
Net cash from/ (used in) investing activities - Continued operations		709	(16,075)
Net cash from investing activities - Discontinued operations		1,375	587
Net cash from/ (used in) investing activities		2,084	(15,488)
Cash flows from financing activities			
Proceeds from other borrowed funds	2727	340,492	177,280
Repayment of other borrowed funds	27	(180,291)	(103,728)
Interest expense paid on other borrowed funds	27	(19,552)	(14,708)
Issue of ordinary shares		-	500
Acquisition of non-controlling interest		(620)	(2,468)
Proceeds from subordinated borrowings	27	19,550	3,699
Repayment of subordinated borrowings	27	(11,900)	-
Interest expense paid on subordinated borrowings	27	(3,623)	(2,862)
Repayment of principal lease liabilities	27	(1,194)	(584)
Redemption of issued bonds	27	(35,000)	(10,000)
Interest expense paid on issued bond	27	(1,488)	(3,825)
Dividends paid	27	(10,415)	(5,997)
Net cash from financing activities - Continued operations		95,959	37,307
Net cash used in financing activities - Discontinued operations		(70)	(153)
Net cash from financing activities		95,889	37,154
Net (decrease)/ increase in cash and cash equivalents		(219,854)	283,650
Effect of changes in exchange rates on cash and cash equivalents		142	674
Cash and cash equivalents at the beginning of the year		593,360	309,036
Cash and cash equivalents at the end of the year		373,648	593,360

AZN 175 thousand of Cash and Cash Equivalents is attributable to the subsidiary and included within disposal group.

Bank Respublika OJSC
Consolidated Statement of Changes in Equity
(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	Insurance finance reserve	Total		
Balance at 1 January 2023		73,461	7,633	-	14,530	3	95,627	3,771	99,398
Profit for the year		-	-	-	38,771	-	38,771	44	38,815
Other comprehensive income		-	3,049	-	-	(2)	3,047	-	3,047
Total comprehensive income for 2023		-	3,049	-	38,771	(2)	41,818	44	41,862
Share issue		500	-	-	-	-	500	-	500
Dividends declared	2929	-	-	-	(5,997)	-	(5,997)	-	(5,997)
Acquisition of non-controlling interest in		-	-	-	-	-	-	(2,468)	(2,468)
Balance at 31 December 2023		73,961	10,682	-	47,304	1	131,948	1,347	133,295
Profit for the year		-	-	-	51,291	-	51,291	90	51,381
Other comprehensive income		-	-	2,441	(488)	-	1,953	-	1,953
Total comprehensive income for 2024		-	-	2,441	50,803	-	53,244	90	53,334
Dividend declared		-	-	-	(10,415)	-	(10,415)	-	(10,415)
Acquisition of non-controlling interest in	29	-	-	-	-	-	-	(620)	(620)
Balance at 31 December 2024		73,961	10,682	2,441	87,692	1	174,777	817	175,594

The accompanying notes on pages 5 to 88 are an integral part of these consolidated financial statements

Bank Respublika OJSC
Notes to the Consolidated Financial Statements -31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

1. Introduction

These consolidated financial statements comprise the 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 35 branches and one service points in Azerbaijan as at 31 December 2024 (31 December 2023: 33 branches and twelve service points).

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 %	
			2024	2023
Baki Sigorta OJSC	The Republic of Azerbaijan	Insurance	93.3	79.4

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.

The results of the discontinued operation have been separately presented in the statement of profit or loss, and the assets and liabilities of the disposal group have been presented separately in the 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 31 December 2024 and 31 December 2023, the following shareholders owned issued shares of the Bank:

	2024, %	2023, %
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

The Republic of Azerbaijan maintains the dynamics of a developing economy, with its growth and stability influenced by the effective implementation of economic, fiscal, and monetary policies, as well as global energy market trends and the stability of the Azerbaijani manat (AZN).

In 2024, Azerbaijan's economy demonstrated significant growth. The Gross Domestic Product (GDP) expanded by 4.1%, reaching 126.3 billion manats. The non-oil and gas sector was a key contributor, growing by 6.2% and accounting for approximately 68% of the total GDP.

Throughout 2024, global geopolitical tensions and economic uncertainties persisted, impacting inflation rates worldwide. However, Azerbaijan managed to maintain relative price stability, with the annual inflation rate averaging 2.2% during the year, below the Central Bank's target range. This stability can be attributed to prudent fiscal and monetary policies, as well as the manat's strong position relative to Azerbaijan's main trading partners and lower global food prices.

CBAR changed the policy rate from 8.0% to 7.25% throughout 2024, reflecting the monetary stance adequately.

In July 2024, Fitch Ratings upgraded Azerbaijan's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'BBB-' with a Stable Outlook. This upgrade reflects the country's robust external balance sheet, low public debt, and substantial sovereign wealth fund assets.

The banking sector remained resilient in 2024, with lending activity increasing by 19%, supporting economic growth. Consumer and mortgage loans to individuals rose by 20%, indicating sustained demand in the retail lending market.

Although the full impact of evolving political and economic conditions remains uncertain, potential implications for Azerbaijan's economy are being carefully considered. The Bank's Management continuously monitors these developments and implements proactive measures to support the sustainable growth and resilience of the Bank's operations.

The Bank's Management is taking necessary measures to ensure sustainability of the Bank's operations and support its customers and employees consider listing the measures taken, for example:

- The Bank re-examined the processes that affect the customers and took important steps towards the optimization of these processes;
- The Bank continued to increase penetration of clients in e-banking and had a chance to optimise products/services offered via this channel;
- As a result of the actions taken, the Bank increased its loan portfolio by 26%, mainly SME (small and medium enterprise) loans by 35%, micro loans by 20%, retail loans by 27% and mortgages to individuals by 16%;
- While the total deposit portfolio of the Bank declined by 7%, this was largely driven by a reduction in demand deposits. Notably, term deposits increased by 10%, reflecting customers' growing confidence in longer-term saving instruments.

In the following years, the Bank will continue its growth by taking steps in the direction of efficiency and digitalization.

3. Material Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (“IFRS Accounting Standards”).

These consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of premises and equipment, investment properties, financial instruments categorised at fair value through profit or loss (“FVTPL”) and at fair value through other comprehensive income (“FVOCI”). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

These consolidated financial statements are directed to primary users, being investors who lend or provide equity capital to the reporting entity. These financial statements assume that the primary users have a reasonable knowledge of business and economic activities and review and analyse the information diligently.

These financial statements aim disclosing only information that management considers is material for the primary users. Management seeks not to reduce the understandability of these financial statements by obscuring material information with immaterial information. Hence, only material accounting policy information is disclosed, where relevant, in the related disclosure notes.

Consolidated financial statements. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and its subsidiary use uniform accounting policies consistent with the Group’s policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests that are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group’s equity.

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 statement of profit or loss and other comprehensive income as net gain on foreign exchange operations. 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.

Differences between the contractual exchange rate of a transaction in a foreign currency and the CBAR exchange rate on the date of the transaction are included in gains less losses on foreign exchange operations and translation.

The Bank used the following official exchange rates at 31 December in the preparation of these financial statements:

	2024	2023
1 US dollar	AZN 1.7000	AZN 1.7000
1 Euro	AZN 1.7724	AZN 1.8766

3. Material Accounting Policies (Continued)

Interest and similar income and expense. Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate (“EIR”), transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the Bank relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at FVTPL. Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (AC), net of the expected credit loss (ECL) provision.

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (i.e. the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in P&L due to the asset being in stage 3 but it is now expected to be received following the asset’s curing, is recognised as a reversal of impairment.

Other fee and commission income – including fee and commission income on plastic cards services, settlement fees, and cash operations – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

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

For cross currency basis swaps interest component calculation, notional amount is multiplied by contractual interest rate for respective period. While making allocation of an interest income/(expense) from FX Swaps transactions, annualized spread earned interest income/(expense) is calculated and distributed linearly throughout the lifetime of the contract.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Retail and corporate banking service	The Group provides banking services to retail and corporate customers, provision of overdraft facilities, foreign currency transactions, credit cards and servicing fees.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
	Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer’s account when the transaction takes place.	
	The Group charges commission fee to the customers for the guarantee letters issued.	Revenue from fees on issuance of guarantees and letters of credit is recognised over the period until maturity date of such contracts.

3. Material Accounting Policies (Continued)

Staff costs and related contributions. Wages, salaries, contributions to the Azerbaijan Republic state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Bank's management. Segments whose revenue, net results or assets are ten percent or more of all the segments are reported separately.

Initial recognition of financial instruments. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

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

Financial assets – Modification of financial assets and financial liabilities. If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different (referred to as 'substantial modification'), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

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

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Group due to changes in the CBAR key rate, if the loan agreement entitles the Group to do so.

The Group evaluates modifications to financial assets based on quantitative and qualitative factors to determine if the cash flows are substantially different from the original asset. If so, the original asset's contractual rights to cash flows are deemed to have expired. Qualitative factors include changes in currency, collateral, or terms leading to non-compliance with certain criteria. A quantitative test compares original and revised expected cash flows, with a 10% change considered significant. If cash flows are modified in financial difficulties, the objective is to maximize recovery. Forgiveness of cash flows may require a write-off before modification. If a financial asset is not derecognized, the Group adjusts the gross carrying amount and recognizes the adjustment as a modification gain or loss.

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

3 Material Accounting Policies (Continued)

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

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

Financial assets – Impairment: See also Note 31 (Credit risk).

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 31 (Credit risk)).

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1' financial instruments.

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

Measurement of ECL. ECLs are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date:* as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date:* as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments:* as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Group expects to recover.

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

3. Material Accounting Policies (Continued)

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

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

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

Presentation of allowance for ECL in the consolidated statement of financial position. Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: as a provision within "Other liabilities" line;
- *where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVTOCI*: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Financial assets – derecognition. The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

Recoveries of amounts previously written off are included in 'expected credit losses on interest bearing assets' in the consolidated statements of profit or loss and other comprehensive income.

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

3. Material Accounting Policies (Continued)

Financial liabilities

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied mainly to derivatives, and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition / modification. The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

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

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

Offsetting. Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

Cash and cash equivalents. The mandatory reserve deposit with the CBAR is not considered to be a cash equivalent, due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at fair value through profit or loss (FVTPL). Otherwise, they are carried at fair value (FV).

Loans to customers. 'Loans to customers' caption in the consolidated statement of financial position include:

- loans to customers measured at amortised cost; they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

3. Material Accounting Policies (Continued)

Financial guarantees and loan commitments. Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

The Group has issued no loan commitments that are measured at FVTPL. For other loan commitments the Group recognises a loss allowance.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group classifies investments in debt securities as carried at AC, fair value through other comprehensive income (FVOCI) or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, forward rate agreements, currency and interest rate swaps are carried at their fair value.

The Bank also enters into agreements with its counterparty banks, which are offset for IFRS purposes, to swap deposits or loans in different currencies. Such agreements, while legally separate, are aggregated and accounted for as a single derivative financial instrument on a net basis where (i) the loans are entered into at the same time and in contemplation of one another, (ii) they have the same counterparty, (iii) they relate to the same risk and (iv) there is no apparent business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction.

“Gains less Losses from Financial Derivatives” line in the consolidated statement of profit or loss and other comprehensive income includes interest expense on deposit swap agreement.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year under “Gains less losses from financial derivatives” line. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors.

Customer accounts, other borrowed funds and subordinated borrowings. Amounts due to credit institutions, amounts due to customers, subordinated borrowings and other borrowed funds are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Debt securities in issue. Debt securities in issue include bonds issued by the Bank. Debt securities are stated at AC. If the Bank purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

Repossessed collateral. Repossessed collateral represents non-financial assets repossessed by the Group to settle overdue loans. The assets are initially recognised at fair value when repossessed and included in repossessed collateral according to the Group's intention in respect of recovery of these assets. The Group's intention is to sell the repossessed collateral, hence it is accounted for by analogy with inventory. Repossessed assets are recorded at the lower of cost or net realisable value. Impairment of repossessed collateral is recognized within “Impairment losses on other non-financial assets” line in the consolidated statement of profit or loss and other comprehensive income

3. Material Accounting Policies (Continued)

Accounting for leases by the Bank as a lessee. The Bank leases office premises.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Property and equipment

(i) Owned assets. Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings, which are stated at revalued amounts as described below.

(ii) Revaluation. Buildings are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity.

(iii) Depreciation. Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. The estimated useful lives and residual values are as follows:

<i>In thousands of Azerbaijani manats</i>	Years	Residual value
- Buildings	50-70	20%
- Furniture and equipment	5-10	-
- Computers	5-7	-
- Vehicles	7-10	10%
- Other equipment	5-10	-
- Leasehold improvements	shorter of useful life and the term of the underlying lease	-

Intangible assets

(i) Intangible assets acquired separately. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives of ten years.

Impairment of non-financial assets. At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets, other than investment property and deferred tax assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Provisions. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

3. Material Accounting Policies (Continued)

Share capital. Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity.

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

Dividend income is recognized in profit or loss on the date that the dividend is declared.

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

Taxation. Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

Tax legislation in Azerbaijan is subject to varying interpretations, and changes can occur frequently. Management interpretation of such legislation and changes, as applied to the transactions and activity of the Group may be challenged by the relevant authorities. As such, additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three years including the year of review. Management believes that as of 31 December 2023 its interpretation of the relevant legislation is appropriate and that the Group's tax position will be sustained.

(ii) Deferred tax. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is recognized on tax losses, which can be utilized during five years.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Presentation of consolidated statement of financial position in order of liquidity. The Group does not present current and non-current assets and liabilities separately in the consolidated statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 31 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 31.

Bank Respublika OJSC**Notes to the Consolidated Financial Statements -31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***3. Material Accounting Policies (Continued)**

	31 December 2024				31 December 2023			
	Note	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled			Total
		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	19	-	49,673	49,673	-	48,098	48,098	
Intangible assets	19	-	3,231	3,231	-	3,311	3,311	
Deferred income tax asset	13	-	-	-	-	1,023	1,023	
Other non-financial assets	20	8,086	-	8,086	4,798	140	4,938	
Repossessed collateral	21	1,049	-	1,049	2,963	-	2,963	
Goodwill	21	-	467	467	-	467	467	
Disposal groups		1,779	-	1,779	-	-	-	
LIABILITIES								
Current income tax liability		4,806	-	4,806	2,880	-	2,880	
Other non-financial liabilities	28	20,466	-	20,466	13,154	-	13,154	
Deferred income tax liabilities		-	388	388	-	62	62	
Liabilities of disposal group classified as held for sale		316	-	316	-	-	-	

Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

ECL measurement. Measurement of ECL is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 31. The following components have a major impact on credit loss allowance: definition of default, SICR and its assessment criteria, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios, segmentation of financial assets for the ECL assessment purposes, determination of a level of ECL assessment on a collective basis. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. Impact of forward-looking assumptions correlated with ECL level and their assigned weight is not significant.

The Group used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. Details about the most significant forward-looking assumptions that correlate with ECL level and further information is disclosed in Note 31.

ECL related sensitivity results are disclosed in Note 16.

Determination of collateral value. Management regularly monitors the market value of collateral held against credit exposures. The valuation involves the use of experienced judgment and, where necessary, independent expert valuations. The Bank uses comparable market data, adjusted for the condition, location, liquidity, and other relevant characteristics of the collateral being pledged. Adjustments are made to reflect current market conditions and the specific terms under which the collateral would be realized in the event of default.

The type and amount of collateral required is determined based on an assessment of the borrower's credit risk, and collateral values are updated periodically to ensure they continue to provide adequate coverage. Refer to Note 16 for further information on values of collateral pledged to loan portfolio.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Group uses the following criteria:

- compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition;
- backstop of 30 days past due (DPD). DPD value is the maximum of DPD interest and DPD principal of the loan taking into account any delay in repayment;
- total probability of default in the next year exceeds certain threshold dependent on the loan segment;

The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Group considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 31.

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

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the “hold to collect” business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the “hold to collect” business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Group assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Group’s control, is not recurring and could not have been anticipated by the Group, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The “hold to collect and sell” business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model’s objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

The Group classifies its debt securities as held to collect based on the assumption that these securities would only be sold in a stress case scenario.

Assessment whether cash flows are solely payments of principal and interest (“SPPI”). Determining whether a financial asset’s cash flows are solely payments of principal and interest required judgement. In making this judgement, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group’s claim to the cash flows from specified assets (e.g. non-recourse financing);
- Features that modify consideration of the time value of money element (e.g. periodical reset of interest rates);

The Group continuously analyses contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset’s principal is the fair value at initial recognition less subsequent principal repayments, ie instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Groups’ loan arrangements sometimes may include cross-selling clauses that represent a reduction in the interest rate upon the customer entering into other contracts with the Group or achieving certain criteria, such as maintaining a minimum turnover on current Group accounts held with the Group. The cash flows are SPPI if such clauses merely reduce the Group’s overall profit margin on the instrument and there are no other features inconsistent with a basic lending arrangement.

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

The Group's loan agreements allow adjusting interest rates in response to certain macro-economic or regulatory changes. Management applied judgement and assessed that competition in the banking sector and the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI.

Determining lease term. The Bank leases office premises and land from third parties under contracts which do not have fixed contractual maturity dates and are automatically renewed unless either party submits a termination notice of 1 months. The Bank determines non-cancellable lease period for such leases, taking into consideration penalties that would be incurred upon termination, including economic disincentives such as leasehold improvements, cost of relocating or the importance of the premises to the Bank's operations. As a result, the lease term for most significant office premises has been determined as a period of 3-5 years.

Effective interest rate of borrowings. In determining the effective interest rate (EIR) and fair value of long-term borrowings received from local government-related funds such as Entrepreneurship Support Fund (NESF), The Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan (MCGF) and Agrarian Credit and Development Agency (ACDA), the Group exercised significant judgement in assessing whether these borrowings were provided at market terms. These loans are disbursed across the entire banking sector of Azerbaijan under similar terms, conditions, and credit risk exposures. The Group, based on its experience and peer analysis, concluded that these loans represent market-based funding. This assessment impacts the recognition of any potential day-one gain or loss and the application of the effective interest rate method.

Despite the fact that the loans are transferred to the Bank on a customer-by-customer basis, the Bank remains fully responsible to the funds for the repayment. The judgement is based on observable consistency of terms across other market participants and the long-standing nature of such funding schemes in the local market.

5. Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2024:

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify when liabilities are classified as either current or non-current. As most financial institutions, the Group presents its statement of financial position ordered by liquidity rather than classifying its assets and liabilities as current or non-current. Therefore, this amendment had no impact on these consolidated financial statements.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements.

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

6. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2025 or later, and which the Group has not early adopted.

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.

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). IFRS 19 permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. The Group is not eligible to apply the reduced disclosure requirements introduced by this standard.

6. New Accounting Pronouncements (Continued)

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard will be effective from a date that is yet to be determined by the IASB.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. In 2015, the IASB decided to postpone the effective date of these amendments indefinitely.

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 consolidated 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.

7. Net Interest Income

	2024	2023
Interest income calculated using the effective interest method		
Loans to customers	198,814	162,199
Cash and cash equivalents	23,607	17,832
Investment securities measured at amortised cost	3,464	1,887
Due from other banks	951	865
Total interest income calculated using the effective interest method	226,836	182,783
Interest expense		
Amounts due to customers	(50,290)	(37,241)
Other borrowed funds	(20,551)	(18,062)
Subordinated borrowings	(3,483)	(2,990)
Amounts due to credit institutions	(1,828)	(920)
Lease liabilities	(609)	(1,059)
Bonds issued	(769)	(3,786)
Total interest expense	(77,530)	(64,058)
Net margin on interest and similar income	149,306	118,725

8. Expected Credit Losses on Interest Bearing Assets

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

	2024	2023
(Charge for)/release of ECL on:		
Loans to customers	(8)	811
Due from other banks	(219)	90
Other assets	(99)	-
(Charge)/Release of Expected credit losses on interest bearing assets, total	(326)	901

The table below shows details of net ECL charge (2023: release) on loan to customers:

	2024	2023
Impairment expense (net) on loans to customers	(4,370)	(3,308)
Recoveries from written off loans	4,362	4,119
Expected credit losses on loans to customers, total	(8)	811

9. Gains less losses on foreign exchange operations and translation

	2024	2023
Gains less losses from trading in foreign currencies	9,930	10,768
Foreign exchange translation gains less losses	142	370
Total gains less losses on foreign exchange operations and translation	10,072	11,138

10. Fee and Commission Income and Expense

	2024	2023
Fee and commission income		
<i>Fee and commission income not relating to financial instruments at FVTPL:</i>		
Plastic cards services	16,041	16,769
Settlements	7,246	6,948
Cash operations	3,104	4,357
Commission from early settled loans and payments through terminals	1,312	62
Guarantee letters	2,012	562
Fee income from fiduciary activities	622	-
Other operations	2,119	936
Total fee and commission income	32,456	29,634
Fee and commission expense		
<i>Fee and commission expense not relating to financial instruments at FVTPL</i>		
Plastic cards services	12,810	12,300
Payment systems	5,925	6,390
Settlements	2,764	2,474
Cash operations	1,098	1,047
Guarantees	291	251
Other operations	454	350
Total fee and commission expense	23,342	22,812
Net fee and commission income	9,114	6,822

11. Other Income, Net

	2024	2023
Dividend income	950	450
Other income	1,075	1,122
Total Other Income, Net	2,025	1,572

12. Operating Expenses

	2024	2023
Staff costs	58,215	48,252
Payments to Social Pension Fund	7,654	6,895
Depreciation of property and equipment and right of use assets	5,454	3,828
Fees paid to Deposit Insurance Fund	4,269	4,381
Professional services fees	3,410	3,253
Taxes other than income tax	2,311	1,570
Software costs	2,297	1,959
Advertising and marketing	2,161	1,747
Communication expenses	2,393	1,758
Office expenses	1,447	1,193
Security costs	965	976
Sponsorship fees	819	106
Transportation and travel	815	437
Repairs and maintenance	579	635
Amortization	362	244
Lease expense (short-term and low value items)	268	180
Losses on disposal of fixed assets	-	569
Other operating expenses	1,886	3,231
Total Operating Expenses	95,305	81,214

The fee for the audit of the Group's condensed consolidated interim financial statements for the period ended 30 June 2024 and consolidated financial statements for the year ended 31 December 2024 is AZN 323 thousand, net of VAT.

Bank Respublika OJSC
Notes to the Consolidated Financial Statements -31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

13. Income Taxes

	2024	2023
Current income tax charge	(14,923)	(11,218)
Deferred income tax charge	(923)	240
Income tax expense for the year	(15,846)	(10,978)

In 2024, the applicable tax rate for current and deferred tax is 20% (2023: 20%).

	2024	2023
Profit before income tax from continuing operations	66,658	49,998
Theoretical tax charge at statutory rate	(13,332)	(10,000)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	(2,380)	(472)
- Income which is exempt from taxation	190	-
- Other	(324)	(506)
Income tax expense for the year	(15,846)	(10,978)

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

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 consolidated 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 years 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)

13. Income Taxes (Continued)

Movements in temporary differences during the years ended 31 December 2023 are presented as follows:

	Balance 1 January 2023	Credited / (charged) to profit or loss	Credited / (charged) to other comprehensive income	Balance 31 December 2023
Tax effect of deductible/(taxable) temporary differences				
Credit loss allowance of Loans to customers	1,630	834	-	2,464
Credit loss allowance of Amounts due from credit institutions	(35)	2	-	(33)
Credit loss allowance of Securities at AC	(31)	1	-	(30)
Fair valuation of Derivatives	(161)	(15)	-	(176)
Property and Equipment and Intangible assets	93	(812)	-	(719)
Revaluation of buildings	-	-	(762)	(762)
Right of use assets	(662)	(38)	-	(700)
Other assets	(65)	236	-	171
Amounts due to credit institutions	-	(116)	-	(116)
Other borrowed funds	(45)	86	-	41
Lease liabilities	748	23	-	771
Insurance reserves	(81)	19	-	(62)
Other liabilities	41	71	-	112
Tax loss carry forwards	33	(33)	-	-
Net deferred tax asset	1,465	258	(762)	961
Recognised deferred tax asset	2,545	1,014	-	3,559
Recognised deferred tax liability	(1,080)	(756)	(762)	(2,598)
Net deferred tax asset	1,465	258	(762)	961

14. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	31 December 2024	31 December 2023
Cash		
Cash on hand	52,251	63,186
Nostro accounts with CBAR	146,279	149,217
Nostro accounts and overnight placements with other banks	139,459	299,520
Total cash	337,989	511,923
Cash equivalents		
CBAR notes	-	5,410
Short-term deposits with CBAR	-	76,027
Short-term deposits with resident banks	22,217	-
Short-term deposits with non-resident banks	13,267	-
Total cash equivalents	35,484	81,437
Total cash and cash equivalents	373,473	593,360

As at 31 December 2024 the Group had outstanding balances with 2 banks (31 December 2023: 2 banks), CBAR and one commercial bank, whose balances exceed 10% of equity. These balances as at 31 December 2024 are AZN 280,730 thousand (31 December 2023: AZN 519,422 thousand).

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2024. Refer to Note 31 for the description of the Group's credit risk grading system. Refer also to Note 36 for fair value disclosure.

	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

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2023. Refer to Note 31 for the description of the Group's credit risk grading system. Refer also to Note 36 for fair value disclosure.

	Cash balances with the CBAR, excluding mandatory reserves	Correspondent accounts and overnight placements	Total
- Excellent	-	293,177	293,177
- Good	154,627	82,001	236,628
- Satisfactory	-	48	48
- Special monitoring	-	320	320
- Default	-	1	1
Total cash and cash equivalents, excluding cash on hand	154,627	375,547	530,174

For the purpose of measuring Expected Credit Loss (ECL), as at 31 December 2024 cash and cash equivalents amounting to AZN 1,013 thousand (31 December 2023: AZN 320 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. Refer to Note 31 for the ECL measurement approach.

15. Due from Other Banks

	31 December 2024	31 December 2023
Mandatory reserve with the CBAR	140,784	135,822
Loans and deposits	-	4,665
Blocked accounts	14,725	6,142
Due from other banks, gross	155,509	146,629
Loss allowance	(230)	(573)
Due from other banks, net of loss allowance	155,279	146,056

The Bank is required to maintain a non-interest earning cash deposit (mandatory reserve) with the CBAR calculated as 10% and 12% (31 December 2023: 4% and 5%) of the previous month average of funds attracted from customers by the Bank in local and foreign currency, respectively.

As at 31 December 2024, Group had no outstanding balance related to blocked guarantee deposits placed by the Group for its plastic cards operations (31 December 2023: no outstanding balance).

As at 31 December 2024 and 31 December 2023 AZN equivalent 2,689 thousand and 3,905 thousand, respectively, are the amounts of deposits in 6 customers (31 December 2023: 2 customers) blocked against the Group's guarantees.

As at 31 December 2024 Group had AZN of 6,591 balance that (31 December 2023: no outstanding balance) blocked against the Group's swap contracts.

As at 31 December 2024 AZN equivalent 5,445 thousand is the amount of deposit in one bank (31 December 2023: AZN equivalent 2,237 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 31 December 2024 based on credit risk grades and discloses those balances by three stages for the purpose of ECL measurement. Refer to Note 31 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to due from other banks balances. Refer to Note 31 for external ratings which they are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available.

	Stage 1 (12-months ECL)		Total
	Mandatory reserve with the CBAR	Blocked accounts	
Placements with other banks			
- Excellent	-	-	-
- 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

15. Due from other banks (Continued)

The following table contains an analysis of due from other banks balances by credit quality at 31 December 2023 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)			Stage 2	Stage 3	Total
	Mandatory reserve with the CBAR	Loans and deposits	Blocked accounts	Loans and deposits	Loans and deposits	
Placements with other banks						
- Excellent	-	-	3,905	-	-	3,905
- Good	135,822	2,735	2,236	-	-	140,793
- Satisfactory	-	-	-	1,407	-	1,407
- Default	-	-	-	-	524	524
Gross carrying amount	135,822	2,735	6,141	1,407	524	146,629
Credit loss allowance	-	(6)	(11)	(32)	(524)	(573)
Carrying amount	135,822	2,729	6,130	1,375	-	146,056

16. Loans to Customers

	31 December 2024	31 December 2023
Micro loans	536,021	446,244
SME loans	549,973	407,074
Retail loans	295,066	233,880
Mortgage loans	98,002	83,903
Card loans	1,442	1,357
Gross loans to customers	1,480,504	1,172,458
Loss allowance	(24,376)	(22,258)
Net loans to customers	1,456,128	1,150,200

16. Loans to Customers (Continued)

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 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)

16. Loans to Customers (Continued)

	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	856,233	108,741	15,329	980,303
New assets originated or purchased	1,307,053	-	-	1,307,053
Derecognised during the period	(973,725)	(133,895)	(5,734)	(1,113,354)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(142,421)	142,421	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(11,960)	(1,401)	13,361	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	20,324	(16,250)	(4,074)	-
- from Stage 3 to Stage 2	-	601	(601)	-
Amounts written off	-	-	(1,544)	(1,544)
At 31 December 2023	1,055,504	100,217	16,737	1,172,458

<i>In thousands of Azerbaijani manats</i>	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	(6,993)	(7,263)	(6,503)	(20,759)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(9,339)	-	-	(9,339)
Derecognised during the period	2,174	2,618	338	5,130
Changes to ECL measurement model assumptions	720	1,337	419	2,476
Additional ECL charged on loans written off during the year	(9)	(7)	(1,474)	(1,490)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	3,474	(4,138)	-	(664)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	2,161	84	(3,777)	(1,532)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(72)	831	1,204	1,963
- from Stage 3 to Stage 2	-	(6)	154	148
Total movements with impact on credit loss allowance charge for the period	(891)	719	(3,136)	(3,308)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	2,176	2,176
Unwinding of discount (for Stage 3)	-	-	(367)	(367)
At 31 December 2023	(7,884)	(6,544)	(7,830)	(22,258)

16. 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)

16. Loans to Customers (Continued)

Micro loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	253,913	77,487	2,629	334,029
New assets originated or purchased	559,303	-	-	559,303
Derecognised during the period	(363,047)	(82,295)	(1,402)	(446,744)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(95,972)	95,972	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(3,002)	(449)	3,451	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	10,164	(9,914)	(250)	-
- from Stage 3 to Stage 2	-	25	(25)	-
Amounts written off	-	-	(344)	(344)
At 31 December 2023	361,359	80,826	4,059	446,244

Micro loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	(2,200)	(6,171)	(1,290)	(9,661)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(5,453)	-	-	(5,453)
Derecognised during the period	1,305	2,326	(55)	3,576
Changes to ECL measurement model assumptions	658	1,295	297	2,250
Additional ECL charged on loans written off during the year	-	-	(221)	(221)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	3,063	(3,695)	-	(632)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	511	48	(970)	(411)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(16)	679	105	768
- from Stage 3 to Stage 2	-	-	10	10
Total movements with impact on credit loss allowance charge for the period	68	653	(834)	(113)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	485	485
Unwinding of discount (for Stage 3)	-	-	(164)	(164)
At 31 December 2023	(2,132)	(5,518)	(1,803)	(9,453)

Bank Respublika OJSC
Notes to the Consolidated Financial Statements -31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

16. 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 Consolidated Financial Statements -31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

16. Loans to Customers (Continued)

SME loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	330,293	17,760	11,050	359,103
New assets originated or purchased	396,161	-	-	396,161
Derecognised during the period	(308,337)	(36,677)	(3,033)	(348,047)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(31,159)	31,159	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(3,753)	(69)	3,822	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	7,036	(3,252)	(3,784)	-
- from Stage 3 to Stage 2	-	486	(486)	-
Amounts written off	-	-	(143)	(143)
At 31 December 2023	390,241	9,407	7,426	407,074

SME loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	(2,790)	(618)	(4,328)	(7,736)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(2,757)	-	-	(2,757)
Derecognised during the period	454	189	813	1,456
Changes to ECL measurement model assumptions	423	60	74	557
Additional ECL charged on loans written off during the year	-	(7)	(197)	(204)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	236	(241)	-	(5)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	831	4	(909)	(74)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(41)	101	1,088	1,148
- from Stage 3 to Stage 2	-	(4)	111	107
Total movements with impact on credit loss allowance charge for the period	(854)	102	980	228
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	266	266
Unwinding of discount (for Stage 3)	-	-	(97)	(97)
At 31 December 2023	(3,644)	(516)	(3,179)	(7,339)

Bank Respublika OJSC**Notes to the Consolidated Financial Statements -31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***16. 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 Consolidated Financial Statements -31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

16. Loans to Customers (Continued)

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	203,728	9,987	1,237	214,952
New assets originated or purchased	318,897	-	-	318,897
Derecognised during the period	(286,538)	(11,560)	(886)	(298,984)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(10,570)	10,570	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4,597)	(823)	5,420	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	2,270	(2,230)	(40)	-
- from Stage 3 to Stage 2	-	70	(70)	-
Amounts written off	-	-	(985)	(985)
At 31 December 2023	223,190	6,014	4,676	233,880

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	(1,899)	(339)	(524)	(2,762)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(1,033)	-	-	(1,033)
Derecognised during the period	396	42	(439)	(1)
Changes to ECL measurement model assumptions	(353)	(23)	86	(290)
Additional ECL charged on loans written off during the year	(9)	-	(1,515)	(1,524)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	86	(103)	-	(17)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	818	28	(1,859)	(1,013)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(12)	30	11	29
- from Stage 3 to Stage 2	-	(1)	21	20
Total movements with impact on credit loss allowance charge for the period	(107)	(27)	(3,695)	(3,829)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	1,834	1,834
Unwinding of discount (for Stage 3)	-	-	(99)	(99)
At 31 December 2023	(2,006)	(366)	(2,484)	(4,856)

Bank Respublika OJSC**Notes to the Consolidated Financial Statements -31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***16. 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)

Bank Respublika OJSC**Notes to the Consolidated Financial Statements -31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***16. Loans to Customers (Continued)**

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	67,382	2,683	224	70,289
New assets originated or purchased	28,372	-	-	28,372
Derecognised during the period	(13,748)	(768)	(183)	(14,699)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(2,172)	2,172	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(284)	(36)	320	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	755	(755)	-	-
- from Stage 3 to Stage 2	-	-	-	-
Amounts written off	-	-	(59)	(59)
At 31 December 2023	80,305	3,296	302	83,903

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	(61)	(48)	(175)	(284)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(85)	-	-	(85)
Derecognised during the period	2	2	6	10
Changes to ECL measurement model assumptions	(11)	(5)	23	7
Additional ECL charged on loans written off during the year	-	-	(71)	(71)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	73	(81)	-	(8)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	2	(19)	(17)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(1)	15	-	14
- from Stage 3 to Stage 2	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	(22)	(67)	(61)	(150)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	110	110
Unwinding of discount (for Stage 3)	-	-	(7)	(7)
At 31 December 2023	(83)	(115)	(133)	(331)

During 2023 a mortgage portfolio valued at AZN 20,000 thousand was transferred from "Muganbank" OJSC to the Group pursuant to the decision of Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan ("AMF"), with the process being formalized by the signing of an amendment to the service agreement dated 11 June 2018.

The Group provides certain services such as issuing obligations on mortgage loans, changing mortgage subjects, restructuring mortgage loans and performing relevant work related to problematic mortgage loans, checking the condition of mortgaged property, monitoring monthly payments by borrowers and supervises the fulfilment of insurance obligations, analyses problematic loans, informs the Fund about loans that do not comply with the requirements of the Regulation and the internal rules of the Fund, and takes other measures, to the Fund with respect to the transferred portfolio. The Group believes that it acts as an agent in respect of the transferred portfolio.

Bank Respublika OJSC**Notes to the Consolidated Financial Statements -31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***16. Loans to Customers (Continued)**

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.

Economic Sector

Economic sector risk concentrations within the customer loan portfolio are as follows:

	2024		2023	
	Amount	%	Amount	%
Trade	309,591	21.26%	261,814	22.76%
Consumer goods	303,318	20.83%	242,618	21.09%
Agriculture	294,046	20.19%	234,332	20.37%
Service	209,717	14.40%	181,360	15.77%
Manufacturing	101,640	6.98%	53,128	4.62%
Mortgage	99,915	6.86%	84,473	7.34%
Construction	67,627	4.64%	42,108	3.66%
Transportation	63,762	4.38%	44,895	3.90%
Other	6,512	0.45%	5,472	0.48%
Total loans and advances to customers carried at AC	1,456,128	100.00%	1,150,200	100.00%

Credit quality analysis

The following table sets out information about the credit quality of loans to customers measured at amortized cost as at 31 December 2024 and as at 31 December 2023 based on days past due. Unless specially indicated, the amounts in the table represent gross carrying amounts.

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Micro Loans				
Not past due	443,837	83,043	1,658	528,538
Less than 30 days	473	933	94	1,500
31 to 90 days	-	1,073	174	1,247
91 to 180 days	-	-	1,498	1,498
181 to 360 days	-	-	1,602	1,602
Over 360 days	-	-	1,636	1,636
Total	444,310	85,049	6,662	536,021
Loss allowance	(2,042)	(6,982)	(2,367)	(11,391)
Carrying amount	442,268	78,067	4,295	524,630
	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Micro Loans				
Not past due	361,309	73,134	327	434,770
Less than 30 days	50	2,520	3	2,573
31 to 90 days	-	5,172	13	5,185
91 to 180 days	-	-	538	538
181 to 360 days	-	-	1,036	1,036
Over 360 days	-	-	2,142	2,142
Total	361,359	80,826	4,059	446,244
Loss allowance	(2,132)	(5,518)	(1,803)	(9,453)
Carrying amount	359,227	75,308	2,256	436,791

Bank Respublika OJSC**Notes to the Consolidated Financial Statements -31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***16. Loans to Customers (Continued)**

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
SME Loans				
Not past due	534,728	8,529	308	543,565
Less than 30 days	643	714	-	1,357
31 to 90 days	-	253	252	505
91 to 180 days	-	-	441	441
181 to 360 days	-	-	2,391	2,391
Over 360 days	-	-	1,714	1,714
Total	535,371	9,496	5,106	549,973
Loss allowance	(4,585)	(630)	(2,501)	(7,716)
Carrying amount	530,786	8,866	2,605	542,257

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
SME Loans				
Not past due	390,070	8,472	1,999	400,541
Less than 30 days	170	268	-	438
31 to 90 days	1	667	18	686
91 to 180 days	-	-	893	893
181 to 360 days	-	-	719	719
Over 360 days	-	-	3,797	3,797
Total	390,241	9,407	7,426	407,074
Loss allowance	(3,644)	(516)	(3,179)	(7,339)
Carrying amount	386,597	8,891	4,247	399,735

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Retail Loans				
Not past due	275,490	7,894	1,172	284,556
Less than 30 days	2,673	2,617	86	5,376
31 to 90 days	-	1,437	234	1,671
91 to 180 days	-	-	1,121	1,121
181 to 360 days	-	-	1,498	1,498
Over 360 days	-	-	844	844
Total	278,163	11,948	4,955	295,066
Loss allowance	(2,544)	(733)	(1,577)	(4,854)
Carrying amount	275,619	11,215	3,378	290,212

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Retail Loans				
Not past due	220,972	2,795	263	224,030
Less than 30 days	2,218	2,250	13	4,481
31 to 90 days	-	969	32	1,001
91 to 180 days	-	-	925	925
181 to 360 days	-	-	1,752	1,752
Over 360 days	-	-	1,691	1,691
Total	223,190	6,014	4,676	233,880
Loss allowance	(2,006)	(366)	(2,484)	(4,856)
Carrying amount	221,184	5,648	2,192	229,024

16. Loans to Customers (Continued)

	31 December 2024			
	Stage 1	Stage 2	Stage 3	Total
Mortgage Loans				
Not past due	93,891	3,385	75	97,351
Less than 30 days	-	317	-	317
31 to 90 days	-	70	-	70
91 to 180 days	-	-	-	-
181 to 360 days	-	-	-	-
Over 360 days	-	-	264	264
Total	93,891	3,772	339	98,002
Loss allowance	(11)	(39)	(77)	(127)
Carrying amount	93,880	3,733	262	97,875

	31 December 2023			
	Stage 1	Stage 2	Stage 3	Total
Mortgage Loans				
Not past due	80,305	2,291	123	82,719
Less than 30 days	-	629	-	629
31 to 90 days	-	376	2	378
91 to 180 days	-	-	19	19
181 to 360 days	-	-	-	-
Over 360 days	-	-	158	158
Total	80,305	3,296	302	83,903
Loss allowance	(83)	(115)	(133)	(331)
Carrying amount	80,222	3,181	169	83,572

Sensitivity

31 December 2024

LGD increase. 10 percentage points increase in LGD estimates would result in an increase in total expected credit loss allowances of AZN 4,766 thousand at 31 December 2024 (31 December 2023: AZN 4,903 thousand).

A 10 percentage points increase in LGD estimates for the SME segment would result in an increase in total expected credit loss allowances of AZN 1,020 thousand at 31 December 2024 (31 December 2023: AZN 1,724 thousand). A 10 percentage points increase in LGD estimates for the Micro segment would result in an increase in total expected credit loss allowances of AZN 2,685 thousand at 31 December 2024 (31 December 2023: AZN 2,116 thousand). A 10 percentage points increase in LGD estimates for the Retail segment would result in an increase in total expected credit loss allowances of AZN 955 thousand at 31 December 2024 (31 December 2023: AZN 889 thousand). A 10 percentage points increase in LGD estimates for the Mortgage segment would result in an increase in total expected credit loss allowances of AZN 68 thousand at 31 December 2024 (31 December 2023: AZN 37 thousand). A 10 percentage points increase in LGD estimates for the Cards segment would result in an increase in total expected credit loss allowances of AZN 37 thousand at 31 December 2024 (31 December 2023: AZN 37 thousand).

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by AZN 3,962 thousand as of 31 December 2024 (31 December 2023: AZN 8,971 thousand).

16. Loans to Customers (Continued)

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in stage 1 measured at 12-months ECL) for the SME segment, the expected credit loss allowance would be higher by AZN 913 thousand as of 31 December 2024 (31 December 2023: AZN 3,592 thousand). Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in stage 1 measured at 12-months ECL) for the Micro segment, the expected credit loss allowance would be higher by AZN 1,459 thousand as of 31 December 2024 (31 December 2023: AZN 2,765 thousand). Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in stage 1 measured at 12-months ECL) for the Retail segment, the expected credit loss allowance would be higher by AZN 1,213 thousand as of 31 December 2024 (31 December 2023: AZN 1,621 thousand). Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in stage 1 measured at 12-months ECL) for the Mortgage segment, the expected credit loss allowance would be higher by AZN 374 thousand as of 31 December 2024 (31 December 2023: AZN 993 thousand). Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in stage 1 measured at 12-months ECL) for the Cards segment, the expected credit loss allowance would be higher by AZN 3 thousand as of 31 December 2024 (31 December 2023: no effect).

Collateral held and other credit enhancements

The disclosure below represents the lower of the carrying value of the loan or fair value of collateral taken; the remaining part is disclosed within the “unsecured exposures”. The carrying value of loans was allocated based on carrying amount of the assets taken as collateral.

The Group obtains collateral valuation at the time of granting loans and updates it when a new loan is obtained for that collateral after six months depending on the significance of the loan exposure. In addition, all collaterals are being revalued every 6-18 months depending on the type of collateral and loan segment.

Description of collateral held for loans carried at amortised cost is as follows at 31 December 2024:

	SME loans	Micro loans	Retail loans	Mortgage loans	Card loans	Total
Loans collateralised by:						
- Real estate	421,754	145,341	8,046	97,566	-	672,707
- Cash and deposits	30,460	1,054	7,266	-	-	38,780
- Motor vehicles	16,574	52,143	212	40	-	68,969
- Precious metals	41	7,042	67,159	-	-	74,242
- Other (equipment, inventory, and others)	36,170	197,696	14	-	-	233,880
Total	504,999	403,276	82,697	97,606	-	1,088,578
Government fund guarantees	5,640	-	-	269	-	5,909
Unsecured exposures	31,618	121,354	207,515	-	1,154	361,641
Total carrying value of loans to customers at AC	542,257	524,630	290,212	97,875	1,154	1,456,128

16. Loans to Customers (Continued)

Description of collateral held for loans carried at amortised cost is as follows at 31 December 2023:

	SME loans	Micro loans	Retail loans	Mortgage loans	Card loans	Total
Loans collateralised by:						
- Real estate	292,974	118,755	5,882	83,073	5	500,689
- Cash and deposits	29,756	1,307	4,466	-	190	35,719
- Motor vehicles	12,146	47,472	364	20	-	60,002
- Precious metals	29,422	26,755	43,134	204	32	99,547
- Other (equipment, inventory, and others)	6,198	152,503	147	-	-	158,848
Total	370,496	346,792	53,993	83,297	227	854,805
Government fund guarantees	10,661	347	-	275	-	11,283
Unsecured exposures	18,578	89,652	175,031	-	851	284,112
Total carrying value of loans to customers at AC	399,735	436,791	229,024	83,572	1,078	1,150,200

The following table sets out information on loans to customers that are credit-impaired and related collateral held in order to mitigate potential losses as at 31 December 2024:

	SME loans	Micro loans	Retail loans	Mortgage loans	Card loans	Total
Loans collateralised by:						
- Real estate	742	864	61	54	-	1,721
- Motor vehicles	241	698	-	-	-	939
- Precious metals	-	14	394	-	-	408
- Other (equipment, inventory, and others)	15	721	-	-	-	736
Total	998	2,297	455	54	-	3,804
Unsecured exposures	1,607	1,998	2,923	208	116	6,852
Total carrying value of loans to customers at AC	2,605	4,295	3,378	262	116	10,656

The following table sets out information on loans to customers that are credit-impaired and related collateral held in order to mitigate potential losses as at 31 December 2023:

	SME loans	Micro loans	Retail loans	Mortgage loans	Card loans	Total
Loans collateralised by:						
- Real estate	1,399	532	62	161	-	2,154
- Cash and deposits	-	-	-	-	10	10
- Motor vehicles	403	861	20	-	-	1,284
- Precious metals	-	-	-	-	-	-
- Other (equipment, inventory, and others)	-	486	-	-	-	486
Total	1,802	1,879	82	161	10	3,934
Unsecured exposures	2,445	377	2,110	8	34	4,974
Total carrying value of loans to customers at AC	4,247	2,256	2,192	169	44	8,908

16. Loans to Customers (Continued)

Significant credit exposures

As at 31 December 2024, the Group had 20 borrowers (31 December 2023: 11 borrowers) with gross loan balances exceeding 4,000 thousand. The total gross value of these loans as at 31 December 2024 was AZN 154,352 thousand or 10% of the total loans to customers (31 December 2023: AZN 81,446 thousand or 7%). An allowance of AZN 250 thousand (31 December 2023: AZN 444 thousand) was recognised against these loans.

Loan maturities

The maturity of the loan portfolio is presented in Note 31, which shows the remaining period from the reporting date to the contractual maturity of the loans.

17. Investment Securities

	31 December 2024	31 December 2023
Investment in debt securities at AC	57,531	63,053
Investment securities at FVOCI - equity instruments	3,215	1,088
Investment securities, gross	60,746	64,141
Loss allowance	(198)	(298)
Total investment securities	60,548	63,843

Investment in debt securities at AC. 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 table below discloses investments in debt securities at 31 December 2023 by measurement categories and classes:

	Investment in debt securities at AC	Total
Government bonds	28,280	28,280
Corporate bonds	34,773	34,773
Total investments in debt securities at 31 December 2023 (fair value or gross carrying value)	63,053	63,053
Credit loss allowance	(298)	(298)
Total investments in debt securities at 31 December 2023 (carrying value)	62,755	62,755

Bank Respublika OJSC**Notes to the Consolidated Financial Statements -31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17. Investment Securities (Continued)**

The carrying amount of investment in debt securities at AC at 31 December 2024 and 31 December 2023 below also represents the Group' maximum exposure to credit risk on these assets:

	31 December 2024 Stage 1 (12-months ECL)	31 December 2023 Stage 1 (12-months ECL)
Government bonds		
- Good	22,489	28,280
Corporate bonds		
- Good	35,042	34,773
Gross carrying amount	57,531	63,053
Credit loss allowance	(198)	(298)
Carrying amount	57,333	62,755

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. During 2024 the Bank received dividend from "Azerbaijan Credit Bureau LLC" in the amount of AZN 950 thousand, (2023: AZN 450 thousand). Refer to Note 11.

	Ownership,%	2024	Ownership,%	2023
Milli Kart LLC	8.3%	124	8.3%	500
Agrar Insurance Joint Insurance Company OJSC	-	-	14.29%	313
Azerbaijan Credit Bureau LLC	12.5%	3,067	12.5%	250
SWIFT	0.004%	24	0.004%	25
Total equity instruments		3,215		1,088

Investment in Agrar Insurance Joint Insurance Company OJSC is held by the subsidiary which is in the process of liquidation as at 31 December 2024.

Bank Respublika OJSC**Notes to the Consolidated Financial Statements -31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***18. 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	31 December 2024		Notional amount	31 December 2023	
		Fair value			Fair value	
		Assets	Liabilities		Assets	Liabilities
Swaps – domestic counterparty	-	-	-	65,075	-	(2,433)
Swaps – foreign counterparty	131,140	3,465	(1,125)	39,100	3,825	-
Forward - foreign counterparty	9,964	-	(1,393)	9,964	-	(510)
Total derivative financial instruments	141,104	3,465	(2,518)	114,139	3,825	(2,943)

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 consolidated statement of profit or loss and other comprehensive income:

	2024	2023
Interest expense on derivative financial instruments, net	(7,193)	(7,985)
Fair value gain from derivative financial instruments, net	65	39
Losses less gains from financial derivatives	(7,128)	(7,946)

Bank Respublika OJSC

Notes to the Consolidated Financial Statements -31 December 2024

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

19. Property and Equipment, Right of Use Assets, and Intangible Assets

	Land	Buildings	Fixtures and equipment	Computers	Motor vehicles	Leasehold improvements	equipment	Other Right-of-use assets	and right of use assets	Computer software and licenses	Total Property and equipment and right of use assets and licenses
Cost/revalued amount											
Balance at 1 January 2023	4,543	26,329	11,323	13,888	1,840	1,656	822	6,179	66,580	7,900	7,900
Additions	-	1,191	1,873	2,993	610	725	125	1,989	9,506	1,578	1,578
Disposals	(4,507)	-	(13)	(97)	(63)	-	(1)	(1,275)	(5,956)	-	-
Reassessment and modification of lease agreements	-	-	-	-	-	-	-	-	50	-	50
Revaluation	-	2,853	-	-	-	-	-	-	2,853	-	2,853
Balance at 31 December 2023	36	30,373	13,183	16,784	2,387	2,381	946	6,943	73,033	9,478	9,478
Additions	-	399	790	2,223	431	271	-	1,125	5,239	800	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)	(861)
Balance at 31 December 2024	36	30,760	12,591	19,966	2,609	2,652	671	9,635	78,920	9,417	9,417
Accumulated depreciation											
Balance at 1 January 2023	-	(805)	(7,576)	(8,449)	(1,239)	(1,142)	(753)	(2,867)	(22,831)	(5,882)	(5,882)
Depreciation for the year	-	(384)	(637)	(1,261)	(103)	(133)	(110)	(1,306)	(3,934)	(285)	(285)
Elimination on disposals	-	-	7	90	46	-	1	729	873	-	-
Revaluation	-	957	-	-	-	-	-	-	957	-	-
Balance at 31 December 2023	-	(232)	(8,206)	(9,620)	(1,296)	(1,275)	(862)	(3,444)	(24,935)	(6,167)	(6,167)
Depreciation for the year	-	(434)	(658)	(2,025)	(128)	(173)	(11)	(2,025)	(5,454)	(362)	(362)
Elimination on disposals	-	15	20	99	69	1	39	449	692	-	-
Transfers	-	-	-	(596)	-	-	-	-	-	-	-
Reclassification to non-current assets held for sale (or disposal groups)	-	-	-	198	91	-	178	-17	450	343	343
Balance at 31 December 2024	-	(651)	(8,248)	(11,944)	(1,264)	(1,447)	(656)	(5,037)	(29,247)	(6,186)	(6,186)
Carrying amount											
At 31 December 2023	36	30,141	4,977	7,164	1,091	1,106	84	3,499	48,098	3,311	3,311
At 31 December 2024	36	30,109	4,343	8,022	1,345	1,205	15	4,598	49,673	3,231	3,231

19. Property and Equipment, Right of Use Assets, and Intangible Assets (Continued)

Property and equipment. As at 31 December 2024 and 2023, included in property and equipment were fully depreciated assets of AZN 11,240 thousand and AZN 12,553 thousand, respectively

Useful lives are accounting estimates and 10% increase/decrease in useful lives would result in decrease by 384 thousand AZN and decrease by 273 thousand AZN in depreciation expense of right-of-use assets for the year, (31 December 2023: increase by 287 thousand AZN and decrease by 219 thousand AZN) respectively.

Buildings owned by the Group are carried at revalued amounts based on the independent appraiser's report. As at 31 December 2024 and 2023, 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 17,971 thousand as at 31 December 2024 (31 December 2023: AZN 18,035 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 31 December 2024 and 31 December 2023 are as follows:

	31 December 2024		31 December 2023	
	Level 3	Fair value	Level 3	Fair value
Buildings	30,109	30,109	30,141	30,141
Total	30,109	30,109	30,141	30,141

Intangible assets. As at 31 December 2024, included in computer software and licenses were fully amortised assets of 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:

	31 December 2024	31 December 2023
Short-term lease liabilities	1,480	1,755
Long-term lease liabilities	4,471	2,477
Total lease liabilities	5,951	4,232

One year increase/(decrease) in expected lease term would result in an increase/(decrease) in total lease liability of AZN 1,158 thousand/(AZN 1,256 thousand) at 31 December 2024 (31 December 2023: increase/(decrease) AZN 1,317 thousand/(AZN 1,434 thousand)).

20. Other Assets

	31 December 2024	31 December 2023
Settlements on money transfers	17,470	14,202
Receivables from the government	-	707
Other financial assets	69	1,445
Total other financial assets	17,539	16,354
Prepayments for property, equipment, and intangible assets	1,455	1,025
Deferred expenses	4,088	3,252
Other prepayments	2,620	261
Deposits at Compulsory Insurance Bureau	-	400
Allowance for impairment losses	(77)	-
Total other non-financial assets	8,086	4,938
Total other assets	25,625	21,292

21. Repossessed Collateral

As of 31 December 2024 and 31 December 2023, repossessed collateral in the amount of AZN 1,049 thousand and AZN 2,963 thousand, respectively, is represented by real estate (apartments, land and non-living area), which the Group took possession of, and is available for sale. During the year, the Group recognised an impairment charge of AZN 1,100 thousand on repossessed collateral to reflect the estimated recoverable amount based on current market conditions and expected selling costs.

22. Amounts Due to Credit Institutions

	31 December 2024	31 December 2023
Term deposits	18,395	2,074
Current accounts	1,726	2,935
Total Amounts Due to Credit Institutions	20,121	5,009

23. Amounts Due to Customers

	31 December 2024	31 December 2023
Current accounts and demand deposits		
- Corporate	534,440	680,010
- Retail	144,899	164,048
Term deposits		
- Retail	499,262	505,799
- Corporate	193,783	123,112
Total Amounts due to customers	1,372,384	1,472,969

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.

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

Economic sector concentrations within customer accounts are as follows:

	31 December 2024		31 December 2023	
	Amount	%	Amount	%
Individuals	645,601	47%	669,847	45%
Oil and gas	320,391	23%	313,265	21%
State and public organisations	132,528	10%	158,120	11%
Trade	69,508	5%	96,373	7%
Financial sector	42,931	3%	30,199	2%
Construction	38,406	3%	46,789	3%
Agriculture	18,627	1%	41,763	3%
Manufacturing	19,977	1%	31,428	2%
Other	84,415	6%	85,185	6%
Total amounts due to customers	1,372,384	100%	1,472,969	100%

As at 31 December 2024, the Group has 3 customers (2023: 8 customers), whose balances exceed 10% of equity. These balances as at 31 December 2024 total to AZN 428,080 thousand (2023: AZN 595,588 thousand).

24. Subordinated Borrowings

	Currency	Maturity dates	2024 nominal interest rate	31 December 2024	2023 nominal interest rate	31 December 2023
Subordinated borrowings from foreign credit institutions - third parties	USD	2030-2032	8.75%-11.61%	37,409	7.80%-13.12%	29,899
Total subordinated borrowings				37,409		29,899

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 are two active issuances of subordinated debt from EMF with 02 June 2032 and 13 July 2030 maturity dates respectively. 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 of 8.01% per annum.

Responsability. On 30 October 2024, the Group entered into new subordinated debt with Responsibility Global, Responsibility Sicav, Resposability Micro, a Luxembourg company for 8 years in the amount of USD 1,500 thousand, USD 2,000 thousand and USD 1,500 thousand, respectively, at the fixed 8.75% interest rate per annum.

International Bank of Azerbaijan (IBAR). On 29 March 2024, the Group entered into new subordinated debt with IBAR for 7 years in the amount of AZN 3,400 thousand at the fixed 9% 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 9% and 9.5% interest rate per annum, respectively.

For liquidity disclosure refer to Note 31.

25. Other Borrowed Funds

	31 December 2024	31 December 2023
Loans from local credit institutions:		
National Entrepreneurship Support Fund National Entrepreneurship Support Fund (NESF)	97,915	82,464
The Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan (MCGF)	96,642	81,802
Agrarian Credit and Development Agency (ACDA)	14,466	13,299
The Central Bank of the Republic of Azerbaijan (CBAR)	-	3,547
Total loans from local credit institutions	209,023	181,112
Loans from foreign credit institutions:		
International Finance Corporation (IFC)	78,535	62,139
Dutch Entrepreneurial Development Bank (FMO)	83,910	31,979
European Fund for Southeast Europe (EFSE)	35,857	10,238
Asian Development Bank (ADB)	34,886	14,607
European Investment Bank (EIB)	19,459	-
European Bank for Reconstruction and Development (EBRD)	15,508	12,969
INCOFIN CVSO CVBA SO (INCOFIN)	6,841	9,775
Total loans from foreign credit institutions	274,996	141,707
Total loans received from local and foreign credit institutions	484,019	322,819

25. Other Borrowed Funds (Continued)

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 3 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 10 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 2% 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.

The Central Bank of the Republic of Azerbaijan (CBAR). During 2020 and 2019, the CBAR issued loans to the Group in the amount of AZN 2,699 thousand and AZN 10,674 thousand respectively with annual interest rate of 0.1% for restructuring problem loans based on the decree "On the additional measures related to the solution of problem loans of individuals in the Republic of Azerbaijan" signed by the President of the Republic of Azerbaijan. These loans were recorded at fair value on initial recognition and were matured in November 2024.

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 4 years (31 December 2023: original maturity periods from 12 months to 3 years). Interest rates on these loans are fixed on disbursement date and range from 8.9 % to 11.45% as at 31 December 2024 (31 December 2023: fixed and range from 9.1 % to 11.45%).

International Finance Corporation (IFC). The Bank shall pay on outstanding principal amount at fixed 9.85% 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 equal to the sum of the margin of 2.65% 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.

Asian Development Bank (ADB). The Bank shall pay on outstanding principal amount at fixed 9.48% and 9.66% 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 agreement at a rate of 2.75% and 3.90% for relevant tranche. The fixed margin rate in the agreements signed in 2024 is 2.04% and 2.6%.

INCOFIN CVSO CVBA SO (INCOFIN). The Bank shall pay on outstanding principal amount at fixed 9.5% per annum in AZN.

European Investment Bank (EIB). The Bank shall pay on outstanding principal amount at fixed 10.28% per annum in AZN.

As at 31 December 2024 and 31 December 2023, 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 33.

26. Bonds Issued

As at 31 December 2024 there are no active bonds.

	31 December 2024	31 December 2023
Bonds issued on domestic market	-	35,719
Total debt securities in issue	-	35,719

There are no active bonds as at 31 December 2024 (31 December 2023: There were 3 active bonds). All bonds were listed on the Baku Stock Exchange. These bonds, all with nominal rate of AZN 1,000 and a coupon rate of 8.5%, matured during 2024.

27. 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 statement of cash flows:

	Other Borrowed funds	Subordinated loans	Bonds issued	Lease liabilities	Dividends payable	Total
Liabilities from financing activities at 1 January 2023	245,913	26,072	45,758	3,954	-	321,697
<i>Cash movements</i>						
Proceeds during the year	177,280	3,699	-	-	-	180,979
Repayment of	(103,728)	-	(10,000)	-	-	(113,728)
Payments of interest	(14,708)	(2,862)	(3,825)	(992)	-	(22,387)
Repayment of lease	-	-	-	(737)	-	(737)
Dividends paid	-	-	-	-	(5,997)	(5,997)
<i>Non-cash movements</i>						
Dividends declared	-	-	-	-	5,997	5,997
Additions	-	-	-	1,824	-	1,824
Unwinding of interest expense	18,062	2,990	3,786	992	-	25,830
Modifications	-	-	-	50	-	50
Other movements	-	-	-	(859)	-	(859)
Liabilities from financing activities at 31 December 2023	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	(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)
Dividends paid	-	-	-	-	(10,415)	(10,415)
<i>Non-cash movements</i>						
Dividends declared	-	-	-	-	10,415	10,415
Additions	-	-	-	1,083	-	1,083
Unwinding 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

28. Other Liabilities

	31 December 2024	31 December 2023
Items in course of settlement	3,907	1,574
Settlements on money transfers and plastic card operations	1,686	7,214
Payables arising out of insurance operations	-	198
Professional fees payable	894	169
Other	258	13
Total other financial liabilities	6,745	9,168
Salary and Other Payables to Employees	15,988	10,745
Payable to the Deposit Insurance Fund	1,036	1,204
Other non-financial liabilities	1,680	1,205
Taxes other than income tax	1,762	-
Total other non-financial liabilities	20,466	13,154
Total other liabilities	27,211	22,322

29. Share Capital

As at 31 December 2024, share capital consists of 30,188 thousand ordinary shares (31 December 2023: 30,188 thousand) with par value of AZN 2.45 each.

The dividends per ordinary shares are as follows:

	2024	2023
Dividends payable at 1 January		
Dividends declared during the year	10,415	5,997
Dividends paid during the year	(10,415)	(5,997)
Dividends payable at 31 December	-	-
Dividends per share declared during the year	0.35	0.20

30. 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 31 December 2024, 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 year from discontinued operations, respectively.

30. Segment Analysis (Continued)

- 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.

(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 year ended 31 December 2024 is set out below:

	Corporate banking	Retail banking	Treasury	Total
Interest income	138,659	58,144	30,033	226,836
Fee and commission income	17,894	14,562	-	32,456
Total revenues	156,553	72,706	30,033	259,292
Interest expense	(51,914)	(15,624)	(9,992)	(77,530)
Fee and commission expense	(11,088)	(10,813)	(1,441)	(23,342)
Operating expenses	(57,020)	(34,504)	(3,781)	(95,305)
Gains less losses on foreign exchange operations and translation	7,576	3,163	(667)	10,072
Losses less gains from financial derivatives	-	-	(7,128)	(7,128)
Impairment losses on other non-financial assets	(736)	(280)	(84)	(1,100)
Other income/expense	-	-	2,025	2,025
Credit loss allowances release for assets carried at amortised cost	(218)	(83)	(25)	(326)
Net segment result	43,153	14,565	8,940	66,658
Net segment result				66,658
Profit for the year from discontinued operation				569
Income tax charge				(15,846)
Profit for the year				51,381

Bank Respublika OJSC
Notes to the Consolidated Financial Statements - 31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

30. Segment Analysis (Continued)

Segment information for the reportable segments for the year ended 31 December 2023 is set out below:

	Corporate banking	Retail banking	Treasury	Insurance	Eliminations	Total
Interest income	109,578	48,593	24,612	716	(215)	183,284
Fee and commission income	12,865	16,769	-	-	-	29,634
Revenue from insurance contracts	-	-	-	5,654	(205)	5,449
Total revenues	122,443	65,362	24,612	6,370	(420)	218,367
Interest expense	(45,825)	(14,237)	(11,165)	67	215	(62,999)
Fee and commission expense	(6,783)	(14,453)	(672)	(904)	-	(22,812)
Operating expenses	(48,890)	(30,129)	(2,868)	(1,233)	174	(82,946)
Gains less losses on foreign exchange operations and translation	6,438	5,689	(989)	-	-	11,138
Losses less gains from financial derivatives	-	-	(7,946)	-	-	(7,946)
Expenses under insurance contracts:	-	-	-	(4,735)	-	(4,735)
Expenses under reinsurance contracts held:	-	-	-	(438)	-	(438)
Income from reinsurance contracts held:	-	-	-	156	-	156
Financial expenses for insurance contracts issued	-	-	-	(250)	-	(250)
Financial income from reinsurance contracts held	-	-	-	20	-	20
Other income	257	594	450	188	-	1,489
Credit loss allowance release for assets carried at amortised cost	673	228	-	53	-	954
Net segment result	28,313	13,054	9,368	(706)	(31)	49,998
Net segment result						49,998
Interest expense						(992)
Other income/expense						267
Operating expenses						501
Income tax charge						(10,959)
Profit for the year						38,815

Bank Respublika OJSC
Notes to the Consolidated Financial Statements - 31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

30. 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			

Bank Respublika OJSC**Notes to the Consolidated Financial Statements - 31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***30. Segment Analysis (Continued)**

Segment assets:

31 December 2023	Segment assets	Corporate banking	Retail banking	Treasury	Insurance	Elimination
Cash and cash equivalents	491	-	-	-	566	(75)
Due from other banks	146,056	-	-	141,979	6,484	(2,407)
Loans to customers	1,150,200	836,526	313,674	-	-	-
Investment securities	63,843	-	-	62,212	1,631	-
Derivative financial assets	3,825	-	-	3,825	-	-
Other assets	1,015	-	-	-	1,015	-
Total segment assets	1,365,430	836,526	313,674	208,016	9,696	(2,482)
Cash and cash equivalents	592,869					
Property and equipment and right of use assets	48,098					
Intangible assets	3,311					
Deferred tax assets	1,023					
Other assets	20,547					
Repossessed collateral	2,963					
Goodwill	467					
Total assets as per consolidated financial statements	2,034,708					

Segment liabilities:

31 December 2023	Segment liabilities	Corporate banking	Retail banking	Treasury	Insurance	Elimination
Amounts due to customers	1,472,969	805,604	669,847	-	-	(2,482)
Other borrowed funds	322,819	-	-	322,819	-	-
Lease liabilities	377	-	-	-	377	-
Derivative financial liabilities	2,943	-	-	2,943	-	-
Deferred tax liabilities	62	-	-	-	62	-
Insurance contract liabilities	2,559	-	-	-	2,559	-
Other liabilities	305	-	-	-	305	-
Bonds issued	35,719	-	-	35,719	-	-
Subordinated borrowings	29,899	-	-	29,899	-	-
Total segment liabilities	1,867,652	805,604	669,847	391,380	3,303	(2,482)
Amounts due to credit institutions	5,009					
Lease liabilities	3,855					
Other liabilities	22,017					
Current income tax liability	2,880					
Total liabilities as per consolidated financial statements	1,901,413					

31. 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.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Risk management and monitoring is performed within set limits of authority. These processes are performed by the Credit Committees and the Group's Management Board.

Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or the Risk Management Department. Daily risk management is performed by the Head of Credit Departments and Branch Credit Divisions.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Limits on the level of credit risk by a borrower and a product (by industry sector) are approved quarterly by the Management Board. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantees. Certain portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the credit-related commitments as it does to the consolidated statement of financial position financial instruments, i.e. the one based on the procedures for approving the granting of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off-balance sheet commitments because long-term commitments generally have a greater degree of credit risk than short-term commitments.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet commitments. For financial assets in the consolidated statement of financial position, the maximum exposure is equal to the carrying amount of those assets.

The Group's maximum exposure to credit risk under credit-related commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

Bank Respublika OJSC**Notes to the Consolidated Financial Statements - 31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***31. Risk Management Policies (Continued)**

	31 December 2024	31 December 2023
Cash equivalents	321,222	530,174
Due from other banks	155,279	146,056
Loans to customers	1,456,128	1,150,200
Investment securities	60,548	63,843
Derivative financial assets	3,465	3,825
Other financial assets	17,539	16,354
Commitments on loans and unused credit lines	21,949	13,933
Guarantees issued and similar commitments	131,378	72,293

Geographical concentration. The geographical concentration of the Group's financial assets and liabilities at 31 December 2024 is set out below:

	The Republic of Azerbaijan	OECD countries	Other non-OECD countries	Total
31 December 2024				
Non-derivative financial assets:				
Cash and cash equivalents	220,985	151,470	1,018	373,473
Due from other banks	143,467	11,812	-	155,279
Loans to customers	1,456,128	-	-	1,456,128
Investment securities	60,548	-	-	60,548
Derivative financial assets	-	3,465	-	3,465
Other financial assets	17,539	-	-	17,539
Total financial assets	1,898,667	166,747	1,018	2,066,432
Non-derivative financial liabilities:				
Amounts due to credit institutions	16,514	3,607	-	20,121
Amounts due to customers	1,289,129	4,283	78,972	1,372,384
Subordinated borrowings	11,083	26,326	-	37,409
Other borrowed funds	209,022	240,109	34,888	484,019
Lease liabilities	5,951	-	-	5,951
Derivative financial liabilities	-	2,518	-	2,518
Other financial liabilities	6,745	-	-	6,745
Total financial liabilities	1,538,444	276,843	113,860	1,929,147
Net position	360,223	(110,096)	(112,842)	137,285

Bank Respublika OJSC**Notes to the Consolidated Financial Statements - 31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***31. Risk Management Policies (Continued)**

The geographical concentration of the Group's financial assets and liabilities at 31 December 2023 is set out below:

	The Republic of Azerbaijan	OECD countries	Other non-OECD countries	Total
31 December 2023				
Non-derivative financial assets:				
Cash and cash equivalents	299,641	293,381	338	593,360
Due from other banks	139,922	6,134	-	146,056
Loans to customers	1,150,200	-	-	1,150,200
Investment securities	63,818	25	-	63,843
Derivative financial assets	-	3,825	-	3,825
Other financial assets	16,354	-	-	16,354
Total financial assets	1,669,935	303,365	338	1,973,638
Non-derivative financial liabilities:				
Amounts due to credit institutions	3,041	1,968	-	5,009
Amounts due to customers	1,392,270	6,566	74,133	1,472,969
Issued bonds	35,719	-	-	35,719
Subordinated borrowings	-	29,899	-	29,899
Other borrowed funds	181,113	141,706	-	322,819
Lease liabilities	4,232	-	-	4,232
Derivative financial liabilities	-	2,943	-	2,943
Other financial liabilities	9,168	-	-	9,168
Total financial liabilities	1,625,543	183,082	74,133	1,882,758
Net position	44,392	120,283	(73,795)	90,880

As disclosed in Note 25, all counterparties related to other borrowed funds are individually identified. In relation to amounts due to customers, the majority of the exposure to non-OECD countries relates to counterparties from CIS countries as at 31 December 2024 and 31 December 2023.

Credit quality by class of financial asset

External ratings. External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available.

Master scale credit risk grade	Corresponding ratings of external international rating agencies (Moody's)	Corresponding PD interval
Excellent	Aaa to Baa3	0,01% - 0,5%
Good	Ba1 to B1	0,51% - 3%
Satisfactory	B2, B3	3% - 10%
Special monitoring	Caa1+ to Ca	10% - 99,9%
Default	C	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

For unrated counterparties, the Group assigns a credit rating by downgrading the corresponding country rating by two notches.

Such ratings and the corresponding range of PD are applied for the financial instrument indicated in table below. Credit quality disclosure for each class of these financial assets for 31 December 2024 and 31 December 2023 is disclosed in each relevant note for the following lines:

31. Risk Management Policies (Continued)

Financial statement line item	Notes
Cash and cash equivalents (excluding cash on hand)	14
Due from other banks	15
Loans to customers	16
Investment securities	17
Other financial assets	20

The credit quality of other assets is not disclosed as these assets typically have very short-term maturities and are usually realized within the first few weeks of the subsequent month.

Credit risk - Amounts arising from ECL**Inputs, assumptions and techniques used for estimating impairment**

See accounting policy in Note 3.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses the following criteria for determining whether there has been a significant increase in credit risk

- significant increase in probability of default since the origination date;
- backstop of 30 days past due (DPD). DPD value is the maximum of DPD interest and DPD principal of the loan taking into account any delay in repayment.
- total probability of default in the next year exceeds certain threshold dependent on the loan segment

As at 31 December 2024 and 31 December 2023, the Group estimated ECL for significant loans in Stage 3 based on an individual review of each loan and estimation of its future cash flows. This estimate of future cash flows is dependent on factors such as the estimated value of underlying collateral and delay of 12 to 48 months in obtaining proceeds from the foreclosure of collateral. The Group then calculates the net present value of these cash flows using a discount rate which equates to the original effective interest rate of the loan, in order to determine the required amount of ECL.

For the remaining portfolio of loans the Group calculates ECL on a collective basis. The key areas of uncertainty and assumptions used in the calculation of collective impairment are:

- Macro data availability and portfolio data adequacy starting from 31 January 2012 was considered as valid;
- Only first default for each exposure was considered as valid (i.e. remaining data after default entry was cut off);
- All facilities which are in default at their first observation date were excluded from the sample;
- For each loan segment there was a cut-off on MOB's (months on book) where number of unique facilities was smaller than 100 – i.e. baseline hazard estimates obtained for MOB's greater than this cut-off point were considered as highly biased;
- Loss Given Default was estimated based on ten year's experience.

Generating the term structure of PD

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

31. Risk Management Policies (Continued)

Determining whether credit risk has increased significantly

The Group assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant will differ for different types of lending, in particular between corporate and retail.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria. Such qualitative factors are based on its expert judgement and relevant historical experience.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

Definition of default

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

- the borrower is past due more than 90 days on any material credit obligation to the Group.
- exposure is subject to restructuring; or
- in bankruptcy

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

- qualitative – e.g. breaches of covenants;
- quantitative – e.g. overdue status and non-payment on another obligation of the same borrower to the Group; and
- based on data developed internally and obtained from external sources.

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

Incorporation of forward-looking information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

Nominal effective exchange rate (NEER), oil price, home price and budget revenues variables are selected to be the main variables in the main modelling phase. These variables ought to be forecasted in different scenarios.

Oil price, home price and budget revenues variables are forecasted by applying Autoregressive Integrated Moving Average (p,d,q) (ARIMA) model. The reason for applying this model is its parsimonious nature and the ability to capture dependent variations of variables whose determinants are not well documented.

Bank Respublika OJSC
Notes to the Consolidated Financial Statements - 31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

31. Risk Management Policies (Continued)

The most significant forward-looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2024:

Variable	Scenario	Assigned weight	Assumption for:	
			2025	2026
Brent	<i>In USD per barrel (USD/bbl)</i>		77	81
	Base	50%	71	71
	Upside	25%	129	151
	Downside	25%	39	33
Nominal effective interest rate			100	102
	Base	50%	98	98
	Upside	25%	130	145
	Downside	25%	80	66
Non-oil GDP	<i>In millions of AZN</i>		8,875	7,643
	Base	35%	10,434	9,164
	Upside	5%	12,793	11,554
	Downside	60%	7,639	6,429
House price	<i>In AZN per square foot (AZN/sq ft)</i>		2,730	3,047
	Base	50%	2,673	2,886
	Upside	25%	3,573	4,613
	Downside	25%	2,000	1,806
Budget revenue	<i>In millions of AZN</i>		4,872	3,766
	Base	60%	4,488	3,228
	Upside	10%	10,168	9,025
	Downside	20%	1,981	1,155

31. Risk Management Policies (Continued)

The most significant forward-looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2023:

Variable	Scenario	Assigned weight	Assumption for:	
			2024	2025
Brent	<i>In USD per barrel (USD/bbl)</i>		103	108
	Base	50%	95	95
	Upside	25%	167	195
	Downside	25%	54	46
Nominal effective interest rate			110	112
	Base	50%	107	108
	Upside	25%	144	162
	Downside	25%	80	71
Non-oil GDP	<i>In millions of AZN</i>		8,639	7,490
	Base	50%	9,457	8,280
	Upside	10%	11,668	10,515
	Downside	40%	6,858	5,746
House price	<i>In AZN per square foot (AZN/sq ft)</i>		2,421	2,681
	Base	50%	2,440	2,654
	Upside	20%	3,302	4,327
	Downside	30%	1,804	1,628
Budget revenue	<i>In millions of AZN</i>		3,645	3,301
	Base	50%	2,500	1,982
	Upside	40%	5,714	5,600
	Downside	10%	1,094	702

Modified financial assets

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

31. Risk Management Policies (Continued)

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 3). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired / in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECL

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

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

ECL is calculated on a month-by-month basis using monthly PD, LGD and EAD. ECL for exposures in Stage 1 represents the sum of the 12-months ECL and for exposures in Stage 2 the sum of the lifetime ECL.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. Depending upon segment, time interval changes from 2012 to November 2024. Generally, LGD calculations were computed in the following sequence: Firstly, base recovery rate curves were built for portfolios, then they were separated into homogeneous group default pools in terms of recoveries. Also, the Group estimated remaining recovery for unfinished defaults based on closed cases. Generally, recovery rates depending on MID (month in default) were properly calculated.

Exposure at the time of default was calculated based on CCF (credit conversion factor) model and contractual repayment schedules. General approach per product type was estimated by:

For non-revolving loan products, the Group used full repayment schedule and simplified repayment schedule method, but off-balance items CCF was modelled. In the calculation of CCF values floors and caps were applied to reduce influence of outliers.

For revolving loan products, the Group used model based EAD.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics. In order to reflect different characteristics of portfolio's segments in modelling process, exposures were divided into five major segments, four of which were included in source data and one additional was defined for credit card exposures, while guarantees were added to the SME segment. The logic of how final segmentation was determined is shown in the table below:

Source Loan Segment	Exposure type	Final Loan Segment
Retail	Card Loan	Credit card Retail
Micro	Loan	Micro
Mortgage	Loan	Mortgage
SME	Loan	SME
-	Guarantee	SME

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

Bank Respublika OJSC**Notes to the Consolidated Financial Statements - 31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***31. Risk Management Policies (Continued)**

Exposure		External benchmarks used	
		PD	LGD
Cash and cash equivalents	321,222	Moody's default study	S&P recovery studies
Due from other banks	155,279	Moody's default study	S&P recovery studies
Investment securities	57,731	Moody's default study	S&P recovery studies

Offsetting financial assets and financial liabilities

The disclosure set out in the table below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the consolidated statement of financial position.

31 December 2024

Types of financial assets/liabilities	Related amounts not offset in the consolidated statement of financial position		Net amount
	Financial instruments	Cash collateral received	
Loans to customers	61,289	38,780	22,509
Total financial assets	61,289	38,780	22,509

31 December 2023

Types of financial assets/liabilities	Related amounts not offset in the consolidated statement of financial position		Net amount
	Financial instruments	Cash collateral received	
Loans to customers	62,013	35,719	26,294
Total financial assets	62,013	35,719	26,294

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

31. Risk Management Policies (Continued)

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.

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 consolidated 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 consolidated statement of financial position.

Bank Respublika OJSC
Notes to the Consolidated Financial Statements - 31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

31. 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	7.58%(AZN) 7.50%(USD)	13,267	22,217	-	-	-	-	35,484
Due from other banks	8.00%(AZN) 4.41%(USD)	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) 5.00% (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		-	-	-	-	-	3,215	3,215
Other financial assets		-	17,539	-	-	-	-	17,539
Total non-interest bearing financial assets		481,454	17,539	-	-	-	3,215	502,208
Total non-derivative financial assets		576,147	156,678	591,099	665,993	69,835	3,215	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 Consolidated Financial Statements - 31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

31. 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)			

Bank Respublika OJSC
Notes to the Consolidated Financial Statements - 31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

31. 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 2023								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents		81,437	-	-	-	-	-	81,437
Due from other banks	1.76%	1,152	329	3,706	1,036	81	-	6,304
Loans to customers	5-7% (USD)	63,003	111,562	443,454	466,547	65,634	-	1,150,200
	14-21% (AZN)							
Investment securities	6.24%	4,178	14,731	9,546	34,300	-	-	62,755
Total fixed interest bearing financial assets		149,770	126,622	456,706	501,883	65,715	-	1,300,696
Non-interest bearing financial assets								
Cash and cash equivalents		511,923	-	-	-	-	-	511,923
Due from other banks		139,733	19	-	-	-	-	139,752
Investment securities		-	-	-	-	-	1,088	1,088
Other financial assets		-	16,354	-	-	-	-	16,354
Total non-interest bearing financial assets		651,656	16,373	-	-	-	1,088	669,117
Total non-derivative financial assets		801,426	142,995	456,706	501,883	65,715	1,088	1,969,813
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	7.25%	874	-	1,200	-	-	-	2,074
Amounts due to customers	7.11%	46,709	146,489	345,554	79,359	10,800	-	628,911
Issued bonds	8.50%	-	15,496	20,223	-	-	-	35,719
Other borrowed funds	5.40%	23,928	6,526	73,432	155,996	62,937	-	322,819
Lease liabilities	9.38%	146	293	1,316	2,477	-	-	4,232
Total fixed interest bearing financial liabilities		71,657	168,804	441,725	237,832	73,737	-	993,755
Variable interest rate instruments								
Subordinated borrowings	10.70%	700	-	-	-	29,199	-	29,899
Total variable interest bearing financial liabilities		700	-	-	-	29,199	-	29,899

Bank Respublika OJSC
Notes to the Consolidated Financial Statements - 31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

31. 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		2,935	-	-	-	-	-	2,935
Amounts due to customers		227,129	-	400,131	216,798	-	-	844,058
Other financial liabilities		9,168	-	-	-	-	-	9,168
Total non-interest bearing financial liabilities		239,232	-	400,131	216,798	-	-	856,161
Total non-derivative financial liabilities		311,589	168,804	841,856	454,630	102,936	-	1,879,815
The effect of derivatives								
- inflow		1,308	14	1,235	13,758	-	-	16,315
- outflow		(2,068)	(817)	(4,324)	(8,224)	-	-	(15,433)
Net effect of derivatives		(760)	(803)	(3,089)	5,534	-	-	882
Liquidity gap		490,597	(25,006)	(382,061)	41,719	(37,221)		
Cumulative liquidity gap		490,597	465,591	83,530	125,249	88,028		
Interest sensitivity gap		77,413	(42,182)	14,981	264,051	(37,221)		

31. 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 consolidated 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 consolidated statement of financial position.

Bank Respublika OJSC
Notes to the Consolidated Financial Statements - 31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

31. 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	-	-	-	-	-	3,215	3,215	3,215
Other financial assets	-	17,539	-	-	-	-	17,539	17,539
Total non-interest bearing financial assets	481,454	17,539	-	-	-	3,215	502,208	502,208
Total non-derivative financial assets	576,147	156,678	591,099	665,993	69,835	3,215	2,062,967	2,062,967

Bank Respublika OJSC
Notes to the Consolidated Financial Statements - 31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

31. 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
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 purposes	(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)			

Bank Respublika OJSC
Notes to the Consolidated Financial Statements - 31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

31. 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 2023								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents	81,437	-	-	-	-	-	81,437	81,437
Due from other banks	1,152	329	3,787	1,036	-	-	6,304	6,304
Loans to customers	63,003	111,562	443,454	466,547	65,634	-	1,150,200	1,150,200
Investment securities	4,178	14,731	9,546	34,300	-	-	62,755	62,755
Total fixed interest bearing financial assets	149,770	126,622	456,787	501,883	65,634	-	1,300,696	1,300,696
Non-interest bearing financial assets								
Cash and cash equivalents	511,923	-	-	-	-	-	511,923	511,923
Due from other banks	139,733	19	-	-	-	-	139,752	139,752
Investment securities	-	-	-	-	-	1,088	1,088	1,088
Other financial assets	-	16,354	-	-	-	-	16,354	16,354
Total non-interest bearing financial assets	651,656	16,373	-	-	-	1,088	669,117	669,117
Total non-derivative financial assets	801,426	142,995	456,787	501,883	65,634	1,088	1,969,813	1,969,813

Bank Respublika OJSC
Notes to the Consolidated Financial Statements - 31 December 2024
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

31. 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 credit institutions	874	-	1,200	-	-	-	2,074	2,074
Amounts due to customers	48,350	149,916	359,117	89,360	10,800	-	657,543	628,911
Issued bonds	-	15,744	20,744	-	-	-	36,488	35,719
Other borrowed funds	21,306	9,157	84,554	177,943	82,212	-	375,172	322,819
Lease liabilities	148	296	1,333	2,449	-	-	4,226	4,232
Total fixed interest bearing financial liabilities	70,678	175,113	466,948	269,752	93,012	-	1,075,503	993,755
Variable interest rate instruments								
Subordinated borrowings	260	521	2,344	12,501	29,177	-	44,803	29,899
Total variable interest bearing financial liabilities	260	521	2,344	12,501	29,177	-	44,803	29,899
Non-interest bearing instruments								
Amounts due to credit institutions	2,935	-	-	-	-	-	2,935	2,935
Amounts due to customers	844,058	-	-	-	-	-	844,058	844,058
Other financial liabilities	9,168	-	-	-	-	-	9,168	9,168
Guarantees issued and similar commitments	72,293	-	-	-	-	-	72,293	(230)
Commitments on loans and unused credit lines	13,205	-	-	-	-	-	13,205	(42)
Total non-interest bearing financial liabilities and commitments	941,659	-	-	-	-	-	941,659	885,889
Total financial liabilities and commitments	1,012,597	175,634	469,292	282,253	122,189	-	2,061,965	1,879,543
The effect of derivatives held for risk management								
- inflow	1,311	15	1,268	13,852	-	-	16,446	3,825
- outflow	(2,073)	(824)	(4,468)	(9,387)	-	-	(16,752)	(2,943)
Net effect of derivatives held for risk management purposes	(762)	(809)	(3,200)	4,465	-	-	(306)	882
Liquidity gap	(211,933)	(33,448)	(15,705)	224,095	(56,555)			
Cumulative liquidity gap	(211,933)	(245,381)	(261,086)	(36,991)	(93,546)			

31. Risk Management Policies (Continued)

The Group believes that the analysis by contractual maturities of financial assets, liabilities and credit-related commitments presented on the basis of their earliest possible expected maturity table disclosed herein under liquidity risk section of the consolidated financial statements of the Group represents the actual settlement schedule in respect of the other borrowed funds and subordinated borrowings from the subject foreign credit institutions.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Market risk

Market risk is the risk that the Group's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices. Market risk covers interest rate risk, currency risk, credit spreads, commodity prices and equity prices that the Group is exposed to. There have been no changes as to the way the Group measures risk or to the risk it is exposed or the manner in which these risks are managed and measured.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The ALMC on regular basis reviews the overall interest rate spreads by detailed analysis of the assets and liabilities interest rate structure. The Group is constantly monitoring interest rate gap. As of 31 December 2024 and 31 December 2023, the Group does not consider itself exposed to significant interest rate risk or consequential cash flow risk since most of the financial assets and liabilities are with fixed rates. For further information on interest rate for financial liabilities refer to Notes 22, 23, 24, 25 and 26.

(ii) Currency risk

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

The ALMC controls currency risk by management of the open currency position on the estimated basis of AZN devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations towards its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of the Central Bank of the Republic of Azerbaijan.

Bank Respublika OJSC**Notes to the Consolidated Financial Statements - 31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***31. Risk Management Policies (Continued)**

The following table shows the foreign currency exposure structure of financial assets and financial liabilities as at 31 December 2024. The Group hedges currency risk position based on regulatory reporting.

	AZN	USD	EUR	Other currencies	Total
ASSETS					
Cash and cash equivalents	89,761	260,132	16,252	7,328	373,473
Due from other banks	69,608	85,140	531	-	155,279
Loans to customers	1,374,475	70,320	11,333	-	1,456,128
Investment securities	23,521	33,812	-	-	57,333
Other financial assets	11,868	4,728	905	38	17,539
Total assets	1,569,233	454,132	29,021	7,366	2,059,752
LIABILITIES					
Amounts due to credit institutions	14,643	3,498	1,980	-	20,121
Amounts due to customers	795,240	540,952	28,685	7,507	1,372,384
Subordinated borrowings	-	37,409	-	-	37,409
Other borrowed funds	462,506	21,513	-	-	484,019
Lease liabilities	5,951	-	-	-	5,951
Other financial liabilities	4,374	1,775	386	210	6,745
Total liabilities	1,282,714	605,147	31,051	7,717	1,926,629
Net position	286,519	(151,015)	(2,030)	(351)	133,123
The effect of derivatives held for risk management	(141,104)	141,104	-	-	-
Net position after derivatives held for risk management purposes	145,415	(9,911)	(2,030)	(351)	133,123

The following table shows the foreign currency exposure structure of financial assets and financial liabilities as at 31 December 2023. The Group hedges currency risk position based on regulatory reporting:

	AZN	USD	EUR	Other currencies	Total
ASSETS					
Cash and cash equivalents	115,630	440,858	30,860	6,012	593,360
Due from other banks	66,811	78,682	563	-	146,056
Loans to customers	1,043,174	106,356	670	-	1,150,200
Investment securities	28,280	34,475	-	-	62,755
Other financial assets	9,382	4,914	1,222	836	16,354
Total assets	1,263,277	665,285	33,315	6,848	1,968,725
LIABILITIES					
Amounts due to credit institutions	1,513	3,451	45	-	5,009
Amounts due to customers	729,102	703,921	32,936	7,010	1,472,969
Issued bonds	35,719	-	-	-	35,719
Subordinated borrowings	-	29,899	-	-	29,899
Other borrowed funds	292,686	30,133	-	-	322,819
Lease liabilities	4,232	-	-	-	4,232
Other financial liabilities	5,439	3,057	555	117	9,168
Total liabilities	1,068,691	770,461	33,536	7,127	1,879,815
Net position	194,586	(105,176)	(221)	(279)	88,910
The effect of derivatives held for risk management	(114,139)	114,139	-	-	-
Net position after derivatives held for risk management purposes	80,447	8,963	(221)	(279)	88,910

31. Risk Management Policies (Continued)***Currency risk sensitivity analysis***

A weakening of AZN, as indicated below, against the following currencies at 31 December 2024 and 31 December 2023, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on a net-of-tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2024	2023
15% (2023: 15%) appreciation of USD against AZN	(1,487)	1,344
15% (2023: 15%) appreciation of EUR against AZN	(305)	(33)

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

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholders' equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

32. 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 2023: 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% (31 December 2023: 10%) 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% (31 December 2023: 5%).

Bank Respublika OJSC**Notes to the Consolidated Financial Statements - 31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32. Capital Risk Management (Continued)**

As at 31 December 2024, the Bank was in compliance with all these ratios except for maximum credit exposure of a Bank per a single borrower of the Bank's Tier 1 capital on "unsecured loan ratio", which was 23.57% (2023: 37.48%), 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 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:

	31 December 2024	31 December 2023
Total statutory capital	222,297	165,910
Risk-weighted assets	1,650,790	1,389,718
Capital adequacy ratio (%)	13.47%	11.94%

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.

33. 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 consolidated 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.

As at 31 December 2024 and 31 December 2023, credit-related commitments comprise:

	31 December 2024	31 December 2023
Credit-related commitments		
Commitments on loans and unused credit lines	22,209	13,205
Guarantees issued and similar commitments	131,378	72,293
Total credit-related commitments, gross	153,587	85,498
Less: provisions for credit related commitments	(260)	(272)
Total credit related commitments, net of provision	153,327	85,226

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.

33. Commitments and Contingencies (Continued)

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 31 December 2024, the Group was in compliance with all its financial covenants. As at 31 December 2023, the Group was in breach of three financial covenants with outstanding balances of AZN 72,687 thousand, for which waivers were obtained before 31 December 2023.

Bank Respublika OJSC**Notes to the Consolidated Financial Statements - 31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***34. Non-Controlling Interest**

The following table provides information about subsidiary that has non-controlling interest that is material to the Group:

	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Year ended 31 December 2024						
Baki Sigorta OJSC	The Republic of Azerbaijan	7%	7%	90	817	-
Year ended 31 December 2023						
Baki Sigorta OJSC	The Republic of Azerbaijan	20.6%	20.6%	44	1,347	-

The summarised financial information of the subsidiary was as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss)	Total comprehensive income/(loss)	Cash flows
Year ended 31 December 2024	8,694	-	316	-	3,928	885	885	3,802
Year ended 31 December 2023	8,535	2,262	2,948	355	5,654	214	214	57

Bank Respublika OJSC**Notes to the Consolidated Financial Statements - 31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***35. 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 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.

Bank Respublika OJSC**Notes to the Consolidated Financial Statements - 31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***35. Related Party Transactions (Continued)**

The outstanding balances and the related average effective interest rates as at 31 December 2023 and related profit or loss amounts of transactions for the year ended 31 December 2023 with related parties are as follows:

	Share- holders	Entities under common control		Key management personnel of the Group			
	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	Total amount
Consolidated statement of financial position							
ASSETS							
Loans to customers							
Gross balance	-		3,658	6.7% USD	1,598	10.4% AZN	5,256
Loss allowance	-		(7)		(9)		(16)
LIABILITIES							
Amounts due to customers	129		1,888		1,696	9.1% AZN 2.9% USD	3,713
Items not recognised in the consolidated statement of financial position							
Guarantees given (expires in 3 months)	-		2		-		2
Commitments on loans and unused credit lines	-		595		93		688
Profit (loss)							
Interest income	16		144		99		259
Interest expense	-		-		(19)		(19)
Fee and commission expense	(2)		(1)		(21)		(24)
Recovery of impairment/(Impairment losses)	9		96		(3)		102
Operating expenses	-		-		(4,181)		(4,181)

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 years ended 31 December 2024 and 31 December 2023 is as follows:

	2024	2023
Short-term employee benefits	3,647	3,626
Pension and other contributions	577	555
Total	4,224	4,181

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

36. 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 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 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	3,215	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)

The table below analyses financial instruments measured at fair value at 31 December 2023, 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	1,088	1,088
Derivative assets	3,825	3,825
Non-financial assets		
Buildings	30,373	30,373
Total assets with recurring fair value measurements	35,286	35,286
Liabilities carried at fair value		
Financial liabilities		
Derivative liabilities	(2,943)	(2,943)
Total liabilities with recurring fair value measurements	(2,943)	(2,943)

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

36. Fair Values Disclosures (Continued)

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. 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
	Financial instruments at fair value through profit or loss		Financial instruments at fair value through other comprehensive income	
	Derivative assets	Derivative liabilities	Equity investments	
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

The following table shows a reconciliation for the year ended 31 December 2023 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3			Total
	Financial instruments at fair value through profit or loss		Financial instruments at fair value through other comprehensive income	
	Derivative assets	Derivative liabilities	Equity investments	
Balance at beginning of the year	2,945	(2,102)	1,087	1,930
Fair value gains or losses from derivative financial instruments	880	(841)	-	39
Interest expense, net	(4,513)	(3,472)	-	(7,985)
Interest paid, net	4,513	3,472	-	7,985
Effect of changes in exchange rates	-	-	1	1
Balance at end of the year	3,825	(2,943)	1,088	1,970

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 31 December 2024, to determine the fair value of the swaps, management assumed interest rates within the range of 2.53%-7.10% and 4.10%-4.48% in AZN and USD, respectively (31 December 2023: within the range of 3.60%-7.83% and 3.77%-5.56% 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.

Bank Respublika OJSC**Notes to the Consolidated Financial Statements - 31 December 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***36. 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 yielded curve	6.25% - 10.75% (CBAR) 3.22%-4.448% (T-bills)	± 10 %	+113/-116

36. 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 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 2023:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
ASSETS					
Investment securities	26,371	35,365	-	61,736	62,755
Due from other banks	-	146,737	-	146,737	146,056
Loans to customers	-	-	1,165,067	1,165,067	1,150,200
LIABILITIES					
Amounts due to customers:					
- Current accounts and demand deposits	-	844,058	-	844,058	844,058
- Term deposits	-	-	630,522	630,522	628,911
Subordinated borrowings	-	-	31,813	31,813	29,899
Other borrowed funds	-	319,822	-	319,822	322,819

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.

36. Fair Values Disclosures (Continued)

- 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.

As at 31 December 2024, to determine the fair value of financial instruments not measured at fair value, management used interest rates within the range of 11.19%-17.74% and 7.5%-8.2% in AZN and foreign currencies, respectively for loans to customers (31 December 2023: within range of 15%-19% and 5%-6% in AZN and foreign currencies, respectively), and within the range of 6.39%-9.16% and 2.49%-3.36% in AZN and foreign currencies, respectively for deposits from customer (31 December 2023: within range of 6.5%-9.5% and 1%-3% 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.

37. Events after the End of the Reporting Period

Financing Activities. On 28 February 2025, the issuance of 5,000 bonds by "Bank Respublika" OJSC with a nominal value of USD 1,000 each, totalling USD 5,000 thousand, under the condition of subordination terms was registered by CBAR.

Loans. The Group borrowed loans with a total amount of AZN 80,750 thousand in the period between January 2025 and March 2025 from the IFI's (EBRD, FMO, and Responsibility).

Dividends. In January 2025 the Group declared and in February 2025 paid dividends in the amount of AZN 12,500 thousand.