

“BANK RESPUBLIKA” OJSC

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

31 December 2023

Contents

Independent Auditor's Report

The Separate Financial Statements

Separate Statement of Profit or Loss and Other Comprehensive Income	1
Separate Statement of Financial Position.....	2
Separate Statement of Cash Flows	3
Separate Statement of Changes in Equity.....	4

Notes to the Separate Financial Statements

1. Introduction.....	5
2. Operating Environment.....	5
3. Material Accounting Policy Information.....	9
4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies.....	20
5. Adoption of New or Revised Standards and Interpretations	22
6. New Accounting Pronouncements.....	23
7. Net Interest Income.....	24
8. Expected Credit Losses on Interest Bearing Assets	25
9. Net gain on Foreign Exchange Operations	25
10. Fee and Commission Income.....	25
11. Fee and Commission Expense	25
12. Other Income, Net.....	25
13. Operating Expenses.....	26
14. Income Taxes.....	26
15. Cash and Cash Equivalents	28
16. Loans to Banks	29
17. Loans to Customers.....	31
18. Investment Securities.....	55
19. Derivative financial instruments.....	57
20. Property and Equipment.....	58
21. Other Assets.....	59
22. Investment in subsidiaries.....	60
23. Amounts Due to Credit Institutions	60
24. Repossessed Collateral.....	60
25. Current Accounts and Deposits from Customers	61
26. Subordinated Borrowings.....	61
27. Other Borrowed Funds	62
28. Bonds Issued	64
29. Share Capital	64
30. Other Liabilities	65
31. Segment Analysis.....	65
32. Risk Management Policies.....	71
33. Capital Risk Management	98
34. Commitments and Contingencies	99
35. Related Party Transactions.....	101
36. Fair Values Disclosures.....	104
37. Events after the End of the Reporting Period.....	108



Independent Auditor's Report

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

Our opinion

In our opinion, the separate financial statements present fairly, in all material respects, the separate financial position of Bank Respublika OJSC (the "Bank") as at 31 December 2023, and its separate financial performance and separate cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The separate financial statements of the Bank comprise:

- the separate statement of profit or loss and other comprehensive income for the year ended 31 December 2023;
 - the separate statement of financial position as at 31 December 2023;
 - the separate statement of cash flows for the year then ended;
 - the separate statement of changes in equity for the year then ended; and
 - the notes to the separate 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 separate 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 Bank 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

Materiality	<ul style="list-style-type: none"> Overall materiality: AZN 2,479 thousand, which represents 5% of profit before tax.
Key audit matters	<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 separate 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 separate 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 separate financial statements.

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

Overall materiality	AZN 2,479 thousand
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Bank 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 companies in this sector.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above AZN 248 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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 data-bbox="293 405 839 521">Assessment of expected credit losses (ECL) allowance for loans to customers in accordance with IFRS 9, Financial Instruments.</p> <p data-bbox="293 533 823 649">Measurement of ECL is a significant estimate that involves determination of methodology, models and material data inputs.</p> <p data-bbox="293 660 823 934">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 estimates or judgements to determine the ECL allowance. The Bank uses the collective impairment assessment approach for over 99% of its gross loans to customers.</p> <p data-bbox="293 945 823 1003">Critical estimates and judgements in determining the ECL allowance included:</p> <ul data-bbox="293 1014 823 1205" 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 data-bbox="293 1216 839 1451">Note 3 “Material Accounting Policy Information”, Note 4 “Critical Accounting Estimates, and Judgements in Applying Accounting Policies”, Note 17 “Loans to Customers” and Note 32 “Risk Management Policies” to the separate financial statements provide detailed information on the credit loss allowance.</p>	<p data-bbox="880 499 1468 678">We obtained an understanding of the Bank’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 data-bbox="880 689 1468 835">We assessed the appropriateness of the methodology and models used for calculating ECL allowance developed by the Bank to evaluate their compliance with the requirements of IFRS 9.</p> <p data-bbox="880 846 1468 969">As more than 99% of gross loans by value have their ECL allowance determined on a collective basis the below is how we addressed the ECL allowance calculated on such a basis.</p> <p data-bbox="880 981 1468 1373">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 loan system, including authorization 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> <p data-bbox="880 1384 1468 1473">We assessed the systems and tested on a sample basis the underlying data, which is used by the Bank in determining the ECL estimate.</p>



Key audit matter	How our audit addressed the key audit matter
	<p>We evaluated and tested the reasonableness of the ECL methodology developed and applied by management such as:</p> <ul style="list-style-type: none">• the appropriateness of the Bank's approach to the segmentation of the loan portfolio;• the appropriateness of the statistical methodology;• 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 Bank for expected credit loss calculations.</p> <p>We assessed the adequacy and appropriateness of disclosures made in the separate financial statements regarding the expected credit loss allowance for loans to customers in accordance with IFRS.</p>



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

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

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

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

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 Bank'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 Bank'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 separate 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

Baku, the Republic of Azerbaijan

4 June 2024

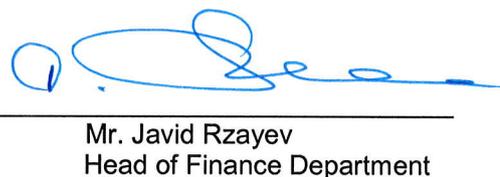
Bank Respublika OJSC**Separate Statement of Profit or Loss and Other Comprehensive Income***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)*

	Note	2023	2022
Interest income calculated using the effective interest method	7	182,783	135,865
Interest expense	7	(64,273)	(44,670)
Net interest income before expected credit losses on interest		118,510	91,195
Credit loss allowance release for assets carried at amortised cost	8	870	2,054
Net interest income		119,380	93,249
Fee and commission income	10	29,634	23,435
Fee and commission expense	11	(22,812)	(17,906)
Net gain on foreign exchange operations	9	11,138	16,081
Losses less gains from financial derivatives	19	(7,946)	(10,943)
Other income	12	1,572	941
Net non-interest income		11,586	11,608
Operating income		130,966	104,857
Operating expenses	13	(81,388)	(70,890)
Profit before income tax		49,578	33,967
Income tax expense	14	(10,978)	(9,916)
Profit for the year		38,600	24,051
Other comprehensive income/loss			
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of buildings		3,811	-
Income tax for revaluation of buildings		(762)	-
Other comprehensive income/(loss) for the year		3,049	-
Total comprehensive income for the year		41,649	24,051
Basic and diluted earnings per share (AZN)		1.279	0.802

The separate financial statements as set out on pages 5 to 108 were approved by management for issue on 04 June 2024 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**Separate Statement of Financial Position***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)*

	Note	31 December 2023	31 December 2022	1 January 2022
ASSETS				
Cash and cash equivalents	15	592,869	308,673	287,398
Loans to banks	16	141,979	63,557	28,107
Loans to customers	17	1,150,200	959,544	715,180
Investment securities	18	62,212	49,962	36,578
Derivative financial assets	19	3,825	2,945	1,961
Property and equipment	20	47,515	43,334	42,806
Intangible assets	20	2,793	1,477	1,451
Repossessed collateral	23	2,963	4,244	4,763
Deferred income tax assets	14	1,024	1,546	2,052
Other financial assets	21	16,297	14,836	8,054
Other assets	21	4,252	4,884	3,742
Investment in subsidiaries	22	7,555	5,045	5,045
Total assets		2,033,484	1,460,047	1,137,137
LIABILITIES				
Amounts due to credit institutions	23	5,009	7,870	1,180
Current accounts and deposits from customers	25	1,475,451	1,002,276	825,479
Other borrowed funds	27	322,819	245,913	174,524
Lease liabilities	20	3,855	3,742	3,138
Derivative financial liabilities	19	2,943	2,102	1,157
Other financial liabilities	30	8,960	5,071	4,210
Other liabilities	30	13,057	16,371	11,093
Current income tax liability	14	2,880	8,132	984
Bonds issued	28	35,719	45,758	10,038
Subordinated borrowings	26	29,899	26,072	20,646
Total liabilities		1,900,592	1,363,307	1,052,449
EQUITY				
Share capital	29	73,961	73,461	73,461
Revaluation reserve for buildings		10,682	7,633	7,633
Retained earnings		48,249	15,646	3,594
Total equity		132,892	96,740	84,688
Total liabilities and equity		2,033,484	1,460,047	1,137,137



Mr. Tariyel Ismayilov
Chairman of the Management Board



Mr. Javid Rzayev
Head of Finance Department

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

	Note	2023	2022
Cash flows from operating activities			
Interest received		182,846	134,407
Interest paid		(31,048)	(25,384)
Fees and commissions received		29,634	23,435
Fees and commissions paid		(22,812)	(17,906)
Realized gains less losses from exchange transactions in		10,464	17,418
Personnel expenses paid		(54,945)	(50,302)
Administrative expenses paid		(19,903)	(18,285)
Net losses on operations with foreign currency derivatives		(7,986)	(10,982)
Other operating income received		951	911
Income tax paid		(16,469)	(2,262)
Cash flows from operating activities before changes in operating assets and liabilities		70,732	51,050
<i>Net (increase)/decrease in operating assets</i>			
Loans to banks		(78,360)	(35,470)
Loans to customers		(191,783)	(242,566)
Repossessed collateral		1,281	519
Other assets		(1,010)	(7,386)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to credit institutions		(3,962)	6,544
Current accounts and deposits from customers		466,947	173,074
Other liabilities		373	7,070
Net cash flows from/(used in) operating activities		264,218	(47,165)
Cash flows from investing activities			
Purchase of property and equipment		(7,496)	(2,673)
Acquisition of intangible assets		(1,560)	(251)
Proceeds from disposal of property and equipment		4,242	-
Purchase of investment securities		(149,112)	(60,019)
Proceeds from sale and redemption of Investment securities		136,906	46,631
Interest income received on investments in debt securities		1,827	1,738
Investment in subsidiaries		(2,468)	-
Net cash used in investing activities		(17,661)	(14,574)
Cash flows from financing activities			
Proceeds from other borrowed funds	27	177,280	151,530
Repayment of other borrowed funds	27	(103,728)	(82,249)
Interest expense paid on other borrowed funds	27	(14,708)	(8,716)
Issue of ordinary shares	29	500	-
Proceeds from subordinated borrowings	26	3,699	5,100
Interest expense paid on subordinated borrowings	26	(2,862)	(1,210)
Repayment of principal lease liabilities		(3,394)	(766)
Proceeds from bonds issue	28	-	35,000
Redemption of issued bonds		(10,000)	-
Interest expense paid on issued bond	28	(3,825)	(2,338)
Dividends paid	29	(5,997)	(12,000)
Net cash from financing activities		36,965	84,351
Net increase in cash and cash equivalents		283,522	22,612
Effect of changes in exchange rates on cash and cash equivalents		674	(1,337)
Cash and cash equivalents, beginning		308,673	287,398
Cash and cash equivalents, ending		592,869	308,673

Bank Respublika OJSC**Separate Statement of Changes in Equity***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)*

	Note	Share capital	Revaluation reserve of buildings	Retained earnings	Total Equity
Balance as at 1 January 2022		73,461	7,633	3,595	84,689
Profit for the year		-	-	24,051	24,051
Other comprehensive income		-	-	-	-
Total comprehensive income for 2022		-	-	24,051	24,051
Dividends declared	30	-	-	(12,000)	(12,000)
Balance as at 31 December 2022		73,461	7,633	15,646	96,740
Profit for the year		-	-	38,600	38,600
Other comprehensive income		-	3,049	-	3,049
Total comprehensive income for 2023		-	3,049	38,600	41,649
Share issue	30	500	-	-	500
Dividend declared	30	-	-	(5,997)	(5,997)
Balance as at 31 December 2023		73,961	10,682	48,249	132,892

The accompanying notes on pages 5 to 108 are an integral part of these separate financial statements.

Bank Respublika OJSC

Notes to the Separate Financial Statements - 31 December 2023

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

1. Introduction

These separate financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2023 for Bank Respublika OJSC (the Bank).

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 33 branches and twelve service points in Azerbaijan as at 31 December 2023 (31 December 2022: 31 branches and three service points).

The only subsidiary of the bank is Baki Sigorta OJSC. In these separate financial statements the investment in the subsidiary is accounted for using the equity method as described in IAS 28 and the subsidiary is not consolidated.

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

As at 31 December 2023 and 2022, the following shareholders owned issued shares of the Bank:

	2023, %	2022, %
Guliyev Natig Saday oglu	63.32	63.29
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	4.25
Others	0.08	0.08
Total	100	100

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

2. Operating Environment

The Republic of Azerbaijan displays certain characteristics of an emerging market. Current and future growth and stability of the economy is largely dependent upon the effective implementation of economic, fiscal and monetary measures undertaken by government as well as crude oil and natural gas prices and stability of Azerbaijani manat.

The rebound in economic activity in 2022 continued in 2023, fuelled by strong activity in non-energy sectors. Real GDP increased by 1.1 percent in 2023. Economic growth in the non-oil sector continued to be the main driver of the economy, increasing by 3.7 percent in real terms and accounting for 56 percent of GDP.

2023 is marked with higher geo-political tension, rise in inflation in trade partners, lingering problems in the global value chain and impact of these developments on the global economy at the time when the world is gradually leaving the pandemic behind. Global demand recovering faster than supply, sharp volatility of global commodity prices and inflation in trade partners, as well as higher transportation-logistic costs weighed on inflation in Azerbaijan. The annual inflation rate in December 2023 was 8.8%. To counter inflation, the Central Bank of Azerbaijan Republic (CBAR) increased the policy rate three times, raising it by 75 basis points in total up to 9.0% and then decreased twice by 100 basis points in total down to 8.0% during 2023. The refinancing rate was 8.0% at the end of 2023.

Although uncertainties related to the global geopolitical and geoeconomic situation, and a high global inflation rate remain a risk, foreign trade surplus and the rise in strategic foreign exchange reserves allow to safeguard macroeconomic stability. So, the adequate monetary and fiscal policy reduces macroeconomic stability risks. As a result of the correct policy pursued by the Azerbaijani state, the Azerbaijani Manat (AZN) remained stable throughout 2023.

2 Operating Environment (Continued)

During 2023 global rating agencies have reaffirmed their previous positive foreign and local currency sovereign credit ratings on Azerbaijan. In February 2024, Fitch Ratings has affirmed Azerbaijan's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB+' with a Positive Outlook. The rating is supported by a very strong external balance sheet, the lowest public debt in the peer group, and financing flexibility from large sovereign wealth fund assets.

The Banking Sector has remained resilient as the lending activity of the Banking Sector has risen by 19% in 2023 (2022: 18%), providing support to the economic growth. Consumer and mortgage loans to individuals rose 21% (2022: 26%).

The ongoing effects of the political and economic situation are difficult to predict, but they may have further effects on the economy of Azerbaijan.

The Bank's Management is monitoring these developments in the current environment and taking precautionary measures as it considers necessary in order to ensure the sustainability and development of the Bank's business in the foreseeable future.

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 22%, mainly micro loans by 34% and mortgage loans to individuals by 49%;
- The total deposit portfolio of the bank has increased by 47%, including 22% increase in time deposits and 73% increase in demand deposits.

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

2 Operating Environment (Continued)

Assessment of ESG-related risks and opportunities and climate change: During 2023 the Bank has made an assessment of the ESG-related risks and opportunities in the context of the sustainable development and the plans for environmental and governance factors are detailed below.

Environmental and safety (E&S):		
	Description of the current situation	Description of the target situation
	<ul style="list-style-type: none"> • E&S policy updated in January 2023 to include an exclusion list, a categorized risk list and Environmental and Social assessment reports. The exclusion List is aligned with the International Financial Institutions' (IFI) requirements; • Exclusion List industries comprise approximately 0.1% of the loan portfolio, highlighting responsible lending focus; • E&S training sessions were held for sales staff (SME and Corporate Sales Department (CSD)) to bolster their comprehension and application of E&S standards, highlighting their crucial role in lending decisions; • E&S monitoring protocols have been updated to reflect current best practices in environmental and social governance; • The SME credit evaluation team now adopts an integrated approach, evaluating both financial metrics and the environmental and social impact of business operations; 	<ul style="list-style-type: none"> • <i>Increasing lending to environmentally friendly production.</i> Primarily supporting entrepreneurs engaged in sustainable plastic door and window manufacturing; • <i>Adopting an environmentally friendly office space.</i> Implementing paper and battery recycling programs, and using energy-efficient lighting solutions; • <i>Financing water-efficient agriculture projects.</i> Focusing on water conservation in high-intensity horticulture and farming sectors; • <i>Digitalization initiatives:</i> <ul style="list-style-type: none"> ✓ Launching a digital lending campaign in 2024 catering to micro-businesses; ✓ Improving “Mobile Shobe” mobile application; ✓ Introducing an online sales channel; ✓ Aiming to fully digitalize SME lending by the end of 2024;
Governance		
	<ul style="list-style-type: none"> • The Code of Conduct was revised in May 2023 to reflect evolving best practices and ensure alignment with our corporate values • Disciplinary procedures were also updated in May 2023 to foster a culture of accountability and integrity within the organization • The Environmental, Social, and Governance (ESG) Responsibility has been assigned to a dedicated member of the Risk Management Department, enhancing the Bank's commitment to sustainable and responsible business practices • The Bank has implemented European Bank for Reconstruction and Development (EBRD) and Asian Development Bank (ADB) standards in governance • The policy, exclusion list, E&S reports, and monitoring actions have been updated in consultation with EBRD and ADB to ensure alignment with best practices • Analysis of portfolio impact is prepared, including a detailed portfolio segmentation breakdown with E&S risk categories. 	<ul style="list-style-type: none"> • The procurement policy is slated for an update, ensuring alignment with best practices; • An individual responsible for ESG is to be appointed within the underwriting department of the Bank, bolstering the department's commitment to sustainable practices; • Establishment of an ESG reporting system, facilitating structured documentation and communication of ESG metrics; • Development of an ESG risk management policy, ensuring systematic identification, assessment, and mitigation of ESG-related risks; • Formation of a Motivation and Discipline Committee, tasked with promoting interests of employees • Introduction of an Environmental and Social Management System (ESMS), streamlining processes and practices for environmental sustainability.

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***2 Operating Environment (Continued)**

The Bank has developed an industry heatmap to assess its climate-related credit risk concentration on a sectoral basis, as presented in the table below:

	2023		2022	
	Amount	%	Amount	%
High climate risk sectors				
Manufacturing	7,582	0.66	4	-
Mining and quarrying	344	0.03	-	-
Agriculture	60	0.01	90	-
Construction	27,730	2.41	42,940	4.5
Total high climate risk sectors	35,716	3.11%	43,034	4.5%
Manufacturing	41,608	3.62	55,877	5.82
Transportation	38,134	3.32	7,862	0.82
Service	8,075	0.70	15,916	1.66
Telecommunications	2,411	0.21	-	-
Real estate	1,326	0.12	3,648	0.38
Mortgage	84,473	7.34	70,266	7.27
Agriculture	230,465	20.03	170,027	17.72
Construction	14,378	1.25	146	0.02
Information and communication	1,391	0.12	3,982	0.41
Total moderate climate risk sectors	422,261	36.71%	327,724	34.10%
Consumer goods	242,618	21.09	220,417	23.00
Manufacturing	3,938	0.34	-	-
Transportation	6,761	0.59	23,706	2.50
Trade	261,814	22.76	221,631	23.10
Service	173,285	15.07	117,860	12.30
Agriculture	3,807	0.33	5,172	0.50
Total low climate risk sectors	692,223	60.18%	588,786	61.40%
Total loans to customers carried at AC	1,150,200	100%	959,544	100%

The long-term effects of the current and future economic situation are difficult to assess, and management's current expectations and estimates could differ from the actual results.

For the purpose of measurement of expected credit losses ("ECL") the Bank uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Notes 4 and 32 provide more information of how the Bank incorporated forward-looking information in the ECL models.

3. Material Accounting Policy Information

Basis of preparation. These separate financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB (“IFRS Accounting Standards”) under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of “buildings” category within property and equipment, financial instruments categorised at fair value through profit or loss (“FVTPL”) and at fair value through other comprehensive income (“FVOCI”). The material accounting policy information is set out below. The accounting policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

The Bank has also prepared consolidated financial statements in accordance with IFRS Accounting Standards for the Bank and its subsidiary (the 'Group'). In the consolidated financial statements, subsidiaries have been fully consolidated. The consolidated financial statements can be obtained from the Bank at 21 Khagani Street, Baku AZ 1000, Azerbaijan or accessed at <https://www.bankrespublika.az>.

Users of these separate financial statements should read them together with the Group's consolidated financial statements as at and for the year ended 31 December 2023 in order to obtain full information on the financial position, results of operations and changes in financial position of the Group as a whole.

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

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

First-time adoption of IFRS Accounting Standards. These separate financial statements are the Bank's first separate financial statements with an unreserved statement of compliance with IFRS Accounting Standards. Preparation of separate financial statements was triggered by the Bank's intention, capitalising on reporting best practice, to demonstrate the Bank's operations on a stand-alone basis both to the Regulator and other interested stakeholders.

The Bank's transition date to IFRS Accounting Standards is 1 January 2022. Subject to certain exceptions, IFRS 1, *First-time adoption of IFRS*, requires retrospective application of the version of standards and interpretations effective as of 31 December 2023 in preparing the opening separate statement of financial position at 1 January 2022 and throughout all periods presented in these first separate financial statements prepared in accordance with IFRS Accounting Standards.

For periods up to and including the year ended 31 December 2023, the Bank prepared its consolidated financials under IFRS Accounting Standards that also included the Bank Respublika OJSC. Therefore, in preparing these separate financial statements, the Bank measures its assets and liabilities at the carrying amounts that are included in the Group's consolidated financial statements with the respective adjustments, where relevant, to exclude consolidation adjustments and the effects of the business combination in which the parent acquired the subsidiary.

No exceptions to the retrospective application of IFRSs are applied as the accounting policies and critical estimates and judgments are in line with relevant IFRS Accounting Standards. In prior periods the Bank did not prepare any separate financial statements under any other set of accounting standards that would be available to its investors or the public. Therefore, no reconciliation of effects of changes in accounting policies upon transition to IFRS Accounting Standards is provided.

The investment in subsidiaries financial statement line item is presented in the separate statement of financial position to reflect the carrying amount of the subsidiary. The investment in subsidiary is accounted for using the equity method as described in IAS 28. Refer to Note 22.

3 Material Accounting Policy Information (Continued)

Presentation currency. These separate financial statements are presented in AZN, unless otherwise stated.

Foreign currency translation. The separate 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 separate statement of profit or loss and other comprehensive income as net gains (losses) from foreign currency translation differences. 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/ losses from dealing operations.

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

	2023	2022
1 US dollar	AZN 1.7000	AZN 1.7000
1 Euro	AZN 1.8766	AZN 1.8114

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, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating, and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the 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 AC, net of the ECL provision.

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.

3 Material Accounting Policy Information (Continued)

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 Bank provides banking services to retail and corporate customers, provision of overdraft facilities, foreign currency transactions, credit cards and servicing fees. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
	The Bank 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.

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, result 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 Bank 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 Bank'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 Bank 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 Bank 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.

3 Material Accounting Policy Information (Continued)

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 Bank due to changes in the CBAR key rate, if the loan agreement entitles the Bank to do so.

The Bank 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 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 Bank 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 Bank further performs qualitative evaluation of whether the modification is substantial.

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 Bank 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 32 (Credit risk).

The Bank 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 Bank 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 32 (Credit risk)).

The Bank 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).

3 Material Accounting Policy Information (Continued)

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 Bank 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 Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- *financial guarantee contracts:* the present value of expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Credit-impaired financial assets. At each reporting date, the Bank 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 Bank on terms that the Bank would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or another 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 Bank 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 separate statement of financial position

Loss allowances for ECL are presented in the 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 Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component:* the Bank 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 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.

3 Material Accounting Policy Information (Continued)

Financial assets – Derecognition. The Bank 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 Bank 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 Bank 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 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 Bank's procedures for recovery of amounts due.

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 to derivatives, financial liabilities held for trading (e.g., short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition / modification. The Bank 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.

Bank 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 Bank 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 statement of financial position when, and only when, the Bank 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 Bank 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 Bank and all counterparties.

3 Material Accounting Policy Information (Continued)

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 statement of financial position.

Loans to banks. Loans to banks are recorded when the Bank advances money to counterparty banks. Loans to 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 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.

Financial guarantees and loan commitments. Financial guarantees are contracts that require the Bank 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 Bank has issued no loan commitments that are measured at FVTPL. For other loan commitments the Bank recognises a loss allowance.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Bank 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 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.

3 Material Accounting Policy Information (Continued)

Customer accounts, other borrowed funds, and subordinated borrowings. Amounts due to credit institutions, current accounts and deposits from 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 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 acquired by the Bank to settle overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, investment property or repossessed collateral within other assets depending on their nature and the Bank's intention in respect of recovery of these assets and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets. Repossessed assets are recorded at the lower of cost or net realisable value.

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 Bank 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.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(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. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives and residual values are as follows:

	Years	Residual value, % of historical cost
- 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	-

3 Material Accounting Policy Information (Continued) Intangible assets

(i) Intangible assets acquired separately. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives of ten years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(ii) Derecognition of intangible assets. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(iii) Impairment of non-financial assets. At the end of each reporting period, the Bank 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 Bank 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

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 recognised in profit or loss on the date that the dividend is declared.

Contingencies. Contingent liabilities are not recognized in the 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.

3 Material Accounting Policy Information (Continued)

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 Bank 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 Bank's tax position will be sustained.

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

Investments in subsidiaries are measured at cost less any impairment loss. The transaction costs are capitalised as part of the cost of the investment. The transaction costs are the costs directly attributable to the acquisition of the investment such as professional fees for legal services, transfer taxes and other acquisition related costs.

The carrying amount is subsequently increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The investor's share of the investee's profit or loss is recognised in the investor's profit or loss. Distributions received from an investee reduce the carrying amount of the investment.

The investments are tested for impairment whenever there are indicators that the carrying amount of an investment may not be recoverable. If the recoverable amount of an investment (the higher of its fair value less cost to sell and its value in use) is less than its carrying amount, the carrying amount is reduced to its recoverable amount.

The carrying amount of an investment is derecognised on disposal. The difference between the fair value of the sale proceeds and the disposed share of the carrying amount of the investment is recognised in profit or loss as gain or loss on disposal. The same applies if the disposal result in a step down from subsidiary to joint venture or an associate measured at cost.

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***3 Material Accounting Policy Information (Continued)**

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 32 for analysis of financial instruments by their maturity. The following table 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 32.

	Note	31 December 2023			31 December 2022			1 January 2022		
		Amounts expected to be recovered or settled			Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
		Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total
ASSETS										
Property and equipment	20	-	47,515	47,515	-	43,334	43,334	-	42,806	43,334
Intangible assets	20	-	2,793	2,793	-	1,477	2,793	-	1,451	1,451
Deferred income tax asset	14	-	1,023	1,023	-	1,546	1,546	-	2,052	2,052
Other non-financial assets	21	4,232	20	4,252	4,864	20	4,884	3,722	20	3,742
Repossessed collateral	24	2,963	-	2,963	4,244	-	4,244	4,763	-	4,763
Investment in subsidiaries	22	-	7,555	7,555	-	5,045	5,045	-	5,045	5,045
LIABILITIES										
Current income tax liability		2,880	-	2,880	8,132	-	8,132	984	-	984
Other non-financial liabilities	30	13,057	-	13,057	16,371	-	16,371	11,093	-	11,093

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

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

Going concern. The Bank prepared these financial statements on a going concern basis. In making this judgement management considered the Bank's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of recent macro-economic developments on future operations of the Bank.

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 32 "Risk Management Policies" (a). 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 Bank 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 Bank 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 32 "Risk Management Policies".

ECL related sensitivity results are disclosed in Note 17 "Loans to Customers".

Determination of collateral value. Management monitors market value of collateral on a regular basis. Management uses its experienced judgement or independent opinion to adjust the fair value to reflect the current circumstances. The amount and collateral required depends on the assessment of credit risk of the counterparty.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Bank 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 Bank 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 Bank 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 32 (Credit risk).

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 Bank 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 Bank 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 Bank’s control, is not recurring and could not have been anticipated by the Bank, 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 Bank 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 Bank considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank’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 Bank continuously analyzes 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.

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

The Bank's 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 Bank or achieving certain criteria, such as maintaining a minimum turnover on current Bank accounts held with the Bank. The cash flows are SPPI if such clauses merely reduce the Bank's overall profit margin on the instrument and there are no other features inconsistent with a basic lending arrangement.

The Bank'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.

5. Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2023:

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). The Bank does not expect to apply the standard to the guarantees that it issues as part of its banking activity. There are no insurance products embedded in loans and similar instruments issued by the Bank. The Bank issues financial guarantee contracts which are initially recognised and subsequently measured under IFRS 9 (Note 3). Therefore, the Bank considers the IFRS 17 scope exclusion relating to financial guarantees. The Bank does not issue performance guarantees, combined contracts with insurance companies, or other instruments that meet the definition of insurance contract under IFRS 17.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- *Effective date.*
- *Expected recovery of insurance acquisition cash flows.*
- *Contractual service margin attributable to investment services.*
- *Reinsurance contracts held – recovery of losses.*
- *Other amendments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

Transition option for insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17

5 Adoption of New or Revised Standards and Interpretations (Continued)

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments resulted in changes in presentation of these financial statements, primarily by removing significant accounting policies that do not represent material accounting policy information.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The adoption of the amendments did not have a material impact on these financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The amendment did not have a material impact on these financial statements.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules, released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendment did not have a material impact on these financial statements.

The application of the above amendments other than IFRS 17 and IAS 1 had no significant impact on the Bank's 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 2024 or later, and which the Bank has not early adopted.

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.

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 that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

6 New Accounting Pronouncements (Continued)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). Amendments to IAS 7 and IFRS 7 require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would 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 new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025). 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.

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. The Bank considers it is too early to determine the impact of the amendment on its financial statements as the release date is recent. Relevant assessment is to be carried out at a later date.

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

7. Net Interest Income

	<u>2023</u>	<u>2022</u>
Interest income calculated using the effective interest method		
Loans to customers	162,199	129,429
Cash and cash equivalents	17,831	3,145
Investment securities measured at amortised cost	1,887	1,734
Loans to banks	866	1,557
	<u>182,783</u>	<u>135,865</u>
Interest expense		
Current accounts and deposits from customers	(38,231)	(27,862)
Other borrowed funds	(14,913)	(11,068)
Subordinated borrowings	(5,364)	(2,055)
Lease liabilities	(1,059)	(587)
Issued bonds	(3,786)	(3,058)
Amounts due to credit institutions	(920)	(40)
	<u>(64,273)</u>	<u>(44,670)</u>

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***8. Expected Credit Losses on Interest Bearing Assets**

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

	2023	2022
Loans to customers	780	2,083
Loans to banks	90	(29)
Release of Expected credit losses on interest bearing assets, total	870	2,054
	2023	2022
Impairment expense (net) on loans to customers	(3,338)	(3,499)
Recoveries from written off loans	4,118	5,582
Expected credit losses on loans to customers, total	780	2,083

9. Net gain on Foreign Exchange Operations

	2023	2022
Dealing, net	10,768	15,936
Translation differences, net	370	145
	11,138	16,081

10. Fee and Commission Income

	2023	2022
Plastic cards services	16,769	12,414
Settlements	6,948	6,534
Cash operations	4,357	2,947
Guarantee letters	562	413
Other operations	998	1,127
	29,634	23,435

11. Fee and Commission Expense

	2023	2022
Plastic cards services	12,300	9,489
Payment systems	6,390	5,088
Settlements	2,474	1,875
Cash operations	1,047	758
Guarantees	251	88
Other operations	350	608
	22,812	17,906

12. Other Income, Net

	2023	2022
Dividend income	450	281
Other income	1,122	660
	1,572	941

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023**

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

13. Operating Expenses

	2023	2022
Staff costs	48,252	44,118
Payments to Social Pension Fund	6,895	5,254
Fees paid to Deposit Insurance Fund	4,381	3,176
Depreciation	3,828	3,008
Software costs	1,959	1,564
Advertising and marketing	1,747	1,355
Professional services fees	1,706	1,260
Taxes other than income tax	1,570	1,010
Communication expenses	1,466	1,154
Office expenses	1,193	1,245
Security costs	976	811
Repairs and maintenance	635	708
Losses on disposal of fixed assets	569	1,318
Transportation and travel	437	358
Amortization	244	225
Membership fees	39	31
Lease expense (short-term and low value items)	180	176
Other operating expenses	5,311	4119
	81,388	70,890

The annual fee for the audit of the Group's consolidated financial statements, the Bank's separate financial statements and non-audit services for 2023 is AZN 258 thousand and 36 AZN, net of VAT, respectively.

14. Income Taxes

	2023	2022
Current income tax charge	(11,218)	(8,554)
Reassessment of income tax charge in prior years	-	(856)
Deferred income tax benefit/(charge)	240	(506)
Income tax expense for the year	(10,978)	(9,916)

Deferred tax charge for the year ended 31 December 2023 in the amount of AZN 522 thousand is comprised of the AZN 240 thousand benefit presented in the table above and AZN 762 thousand, which is the deferred tax charged on the revaluation of the Bank's buildings and presented net of the revaluation reserve amount in other comprehensive income in the statement of profit or loss and other comprehensive income.

In 2023, the applicable tax rate for current and deferred tax is 20% (2022: 20%).

	2023	2022
Profit before tax	49,578	33,967
Income tax at the applicable tax rate	(9,955)	(6,787)
Tax effect of non-deductible expenses	(472)	(595)
Unrecognised deferred tax asset on tax losses of subsidiary	-	(44)
Reassessment of income tax charge in prior years	-	(856)
Effect of tax act adoption on deduction of provision	-	(1,599)
Other	(551)	(35)
Income tax expense for the year	(10,978)	(9,916)

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***14 Income Taxes (Continued)****Deferred tax assets and liabilities**

Deferred tax assets and liabilities represent the potential income tax benefit and charge respectively, arising from temporary differences between the carrying values of assets and liabilities in the statement of financial position in accordance with IFRS 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 2023 and 2022 are presented as follows:

	1 January 2023	Recognised in profit or loss	31 December 2023
Deferred tax assets in relation to:			
Loans to customers	1,630	834	2,464
Loans to banks	(35)	2	(33)
Investment securities	(31)	1	(30)
Derivative financial assets	(605)	(160)	(765)
Property and intangible assets	93	(812)	(719)
Revaluation of premises and equipment	-	(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
Derivative financial liabilities	444	145	589
Other liabilities	41	72	113
Tax loss carry forwards	33	(33)	-
Net deferred tax asset	1,546	(522)	1,024
Recognised deferred tax asset	2,989	1,409	4,398
Recognised deferred tax liability	(1,443)	(1,931)	(3,374)
Net deferred tax asset	1,546	(522)	1,024
	1 January 2022	Recognised in profit or loss	31 December 2022
Deferred tax assets in relation to:			
Loans to customers	1,798	(168)	1,630
Loans to banks	(115)	80	(35)
Investment securities	(30)	(1)	(31)
Derivative financial assets	(392)	(213)	(605)
Property and intangible assets	364	(271)	93
Right of use assets	(586)	(76)	(662)
Other assets	(21)	(44)	(65)
Other borrowed funds	(172)	127	(45)
Lease liabilities	628	120	748
Derivative financial liabilities	231	213	444
Other liabilities	314	(273)	41
Tax loss carry forwards	33	-	33
Net deferred tax asset	2,052	(506)	1,546
Recognised deferred tax asset	3,368	(379)	2,989
Recognised deferred tax liability	(1,316)	(127)	(1,443)
Net deferred tax asset	2,052	(506)	1,546

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***14 Income Taxes (Continued)**

	1 January 2021	Recognised in profit or loss	1 January 2022
Deferred tax assets in relation to:			
Loans to customers	1,090	708	1,798
Loans to bank	97	(212)	(115)
Investment securities	(31)	1	(30)
Derivative financial assets	(476)	84	(392)
Property and intangible assets	(1,056)	834	(222)
Assets held for sale	(164)	164	-
Other assets	(788)	767	(21)
Other borrowed funds	(336)	164	(172)
Lease liabilities	500	128	628
Derivative financial liabilities	63	168	231
Other liabilities	(198)	512	314
Tax loss carry forwards	3,519	(3,486)	33
Net deferred tax assets	2,220	(168)	2,052
Recognised deferred tax asset	5,633	(2,265)	3,368
Recognised deferred tax liability	(3,413)	2,097	(1,316)
Net deferred tax asset	2,220	(168)	2,052

15. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	31 December 2023	31 December 2022	1 January 2022
Cash on hand	63,177	67,228	49,400
Nostro accounts with CBAR	149,217	190,895	230,181
Nostro accounts and overnight placements with other banks	299,038	10,857	3,637
Cash equivalents			
CBAR notes	5,410	14,684	4,180
Short-term deposits with CBAR	76,027	25,009	-
Total cash equivalents	81,437	39,693	4,180
Total cash and cash equivalents	592,869	308,673	287,398

As at 31 December 2023 the Bank had outstanding balances with 2 banks (31 December 2022: 1 bank), whose balances exceed 10% of equity. These balances as at 31 December 2023 are AZN 519,422 thousand (31 December 2022: AZN 230,588 thousand).

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 32 for the description of the Bank's credit risk grading system.

	Cash balances with the CBAR, excluding mandatory reserves	Correspondent accounts and overnight placements	Total
- Excellent	-	293,177	293,177
- Good	5,410	230,761	236,171
- Satisfactory	-	23	23
- Special monitoring	-	320	320
- Default	-	1	1
Total cash and cash equivalents, excluding cash on hand	5,410	524,282	529,692

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***15 Cash and Cash Equivalents (Continued)**

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2022. Refer to Note 32 for the description of the Bank'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	-	2,278	2,278
- Good	14,684	224,483	239,167
Total cash and cash equivalents, excluding cash on hand	14,684	226,761	241,445

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades as at 1 January 2022. Refer to Note 32 for the description of the Bank's credit risk grading system.

	Cash balances with the CBAR, excluding mandatory reserves	Correspondent accounts and overnight placements	Total
- Excellent	-	3,472	3,472
- Good	4,180	230,192	234,372
- Satisfactory		154	154
Total cash and cash equivalents, excluding cash on hand	4,180	233,818	237,998

For the purpose of measuring Expected Credit Loss (ECL), cash and cash equivalents amounting to AZN 320 thousand are considered under Stage 2, while those falling under Stage 3 are deemed insignificant. All remaining balances are categorized under Stage 1. Given the minimal ECL associated with these balances, the Bank decided not to recognize any credit loss allowance for cash and cash equivalents. Refer to Note 32 for the ECL measurement approach.

16. Loans to Banks

	31 December 2023	31 December 2022	01 January 2022
Mandatory reserve with the CBAR	135,822	44,413	6,020
Loans and deposits	32	9,605	9,155
Blocked accounts	6,142	9,646	13,010
Loans to banks, gross	141,996	63,664	28,185
Loss allowance	(17)	(107)	(78)
Loans to banks, net of loss allowance	141,979	63,557	28,107

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***16 Loans to Banks (Continued)****Mandatory reserve with the CBAR**

The Bank is required to maintain a non-interest earning cash deposit (mandatory reserve) with the CBAR at 10% and 12% (2022: 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 2023, Bank had no outstanding balance related to blocked guarantee deposits placed by the Bank for its plastic cards operations (2022: AZN 3,952 thousand).

As at 31 December 2023 and 2022 AZN equivalent AZN 3,905 thousand and 3,645 thousand are the amounts of deposits in 2 banks (2022: 2 banks) blocked against the Bank's guarantees.

As at 31 December 2023 Bank had no outstanding balance that (2022: AZN equivalent 850 thousand in one bank) blocked against the Bank's swap contracts.

As at 31 December 2023 AZN equivalent 2,227 thousand is the amount of deposit in one bank (2022: AZN equivalent 1,190 thousand in one bank) blocked against the Bank's forward contracts.

Loss allowance	2023		2022		2021	
	Stage 1	Total	Stage 1	Total	Stage 1	Total
Loans to banks						
Balance at 1 January	107	107	78	78	8	8
Net remeasurement of loss allowance	(90)	(90)	29	29	70	70
Balance at 31 December	17	17	107	107	78	78

The following tables below contain an analysis of loans to banks balances by credit quality at 31 December 2023, 31 December 2022 and 1 January 2022 based on credit risk grades and discloses those balances by three stages for the purpose of ECL measurement. Refer to Note 32 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to loans to banks balances. Refer to Note 32 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.

31 December 2023	Stage 1 (12-months ECL)	Total
Placements with other banks		
- Excellent	3,905	3,905
- Good	138,091	138,091
Gross carrying amount	141,996	141,996
Credit loss allowance	(17)	(17)
Carrying amount	141,979	141,979

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***16 Loans to Banks (Continued)**

	Stage 1 (12-months ECL)	Total
31 December 2022		
Placements with other banks		
- Excellent	8,456	8,456
- Good	54,018	54,018
- Satisfactory	1,190	1,190
Gross carrying amount	63,664	63,664
Credit loss allowance	(107)	(107)
Carrying amount	63,557	63,557

	Stage 1 (12-months ECL)	Total
01 January 2022		
Placements with other banks		
- Excellent	12,653	12,653
- Good	13,342	13,342
- Satisfactory	3,190	3,190
Gross carrying amount	28,185	28,185
Credit loss allowance	(78)	(78)
Carrying amount	28,107	28,107

17. Loans to Customers

	31 December 2023	31 December 2022	01 January 2022
Micro loans	446,244	334,029	206,962
SME loans	407,074	359,103	327,375
Retail loans	233,880	214,952	140,010
Mortgage loans	83,903	70,289	59,562
Card loans	1,357	1,930	2,000
Gross loans to customers	1,172,458	980,303	735,909
Loss allowance	(22,258)	(20,759)	(20,729)
Net loans to customers	1,150,200	959,544	715,180

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 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 amortised 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 2023	856,233	108,741	15,329	980,303
<i>Movements with impact on credit loss allowance charge for the period:</i>				
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

	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
Other movement	720	1,337	419	2,476
Write-off additional charge (other movement)	(9)	(7)	(1,474)	(1,490)
Changes to ECL measurement model assumptions				
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 on present value of ECL	-	-	(367)	(367)
At 31 December 2023	(7,884)	(6,544)	(7,830)	(22,258)

Bank Respublika OJSC

Notes to the Separate Financial Statements - 31 December 2023

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

17 Loans to Customers (Continued)

	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	640,836	80,396	14,677	735,909
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	1,131,312	-	-	1,131,312
Derecognised during the period	(784,466)	(92,427)	(6,016)	(882,909)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(135,663)	135,663	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(12,574)	(475)	13,049	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	16,788	(16,422)	(366)	-
- from Stage 3 to Stage 2	-	2,006	(2,006)	-
Amounts written off	-	-	(4,009)	(4,009)
At 31 December 2022	856,233	108,741	15,329	980,303
	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	(6,548)	(6,466)	(7,715)	(20,729)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(10,010)	-	-	(10,010)
Derecognised during the period	7,617	2,611	1,053	11,281
Other movement	299	1,726	(153)	1,872
Write-off additional charge (other movement)	-	(82)	(913)	(995)
Changes to ECL measurement model assumptions				
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	1,691	(5,625)	-	(3,934)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	68	28	(2,973)	(2,877)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(110)	570	102	562
- from Stage 3 to Stage 2	-	(25)	494	469
Total movements with impact on credit loss allowance charge for the period	(445)	(797)	(2,390)	(3,632)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	4,009	4,009
Unwinding of discount on present value of ECL	-	-	(407)	(407)
At 31 December 2022	(6,993)	(7,263)	(6,503)	(20,759)

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2021	387,781	43,181	31,610	1,346	463,918
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	824,343	-	-	-	824,343
Derecognised during the period	(490,269)	(44,189)	(13,899)	(1,346)	(549,703)
Transfers:					
- to lifetime (from Stage 1 to Stage 2)	(86,584)	86,584	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(6,116)	(676)	6,792	-	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	11,681	(9,284)	(2,397)	-	-
- from Stage 3 to Stage 2		4,780	(4,780)	-	-
Total movements with impact on credit loss allowance charge for the period	253,055	37,215	(14,284)	(1,346)	274,640
Movements without impact on credit loss allowance charge for the period:					
Amounts written off	-	-	(2,649)	-	(2,649)
At 1 January 2022	640,836	80,396	14,677	-	735,909

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	(4,214)	(3,555)	(12,585)	(740)	(21,094)
<i>Movements with impact on credit loss allowance charge for the period:</i>					
New assets originated or purchased	(10,969)	-	-	-	(10,969)
Derecognised during the period	1,758	1,384	5,696	824	9,662
Changes to ECL measurement model assumptions	(761)	186	(2,477)	(84)	(3,136)
Transfers:					
- to lifetime (from Stage 1 to Stage 2)	5,523	(5,589)	-	-	(66)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	2,186	274	(3,036)	-	(576)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(71)	928	1,065	-	1,922
- from Stage 3 to Stage 2	-	(94)	1,779	-	1,685
Total movements with impact on credit loss allowance charge for the period	(2,334)	(2,911)	3,027	740	(1,478)
<i>Movements without impact on credit loss allowance charge for the period:</i>					
Amounts written off	-	-	2,650	-	2,650
Unwinding of discount on present value of ECLs	-	-	(807)	-	(807)
At 1 January 2022	(6,548)	(6,466)	(7,715)	-	(20,729)

Bank Respublika OJSC

Notes to the Separate Financial Statements - 31 December 2023

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

17 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
<i>Movements with impact on credit loss allowance charge for the period:</i>				
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
Other movement	658	1,295	297	2,250
Write off additional charge (other movement)	-	-	(221)	(221)
Changes to ECL measurement model assumptions				
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 on present value of ECL	-	-	(164)	(164)
At 31 December 2023	(2,132)	(5,518)	(1,803)	(9,453)

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

Micro loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	149,580	55,747	1,635	206,962
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	444,507	-	-	444,507
Derecognised during the period	(253,269)	(62,651)	(1,176)	(317,096)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(89,311)	89,311	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2,415)	(213)	2,628	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	4,821	(4,733)	(88)	-
- from Stage 3 to Stage 2	-	26	(26)	-
Amounts written off	-	-	(344)	(344)
At 31 December 2022	253,913	77,487	2,629	334,029

Micro loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	(1,702)	(5,485)	(1,109)	(8,296)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(7,448)	-	-	(7,448)
Derecognised during the period	5,081	2,410	(75)	7,416
Other movement	370	1,758	490	2,618
Write off additional charge (other movement)	-	(5)	(21)	(26)
Changes to ECL measurement model assumptions				
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	1,497	(5,167)	-	(3,670)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	28	12	(832)	(792)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(28)	309	37	318
- from Stage 3 to Stage 2	-	(1)	12	11
Total movements with impact on credit loss allowance charge for the period	(500)	(684)	(389)	(1,573)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	344	344
Unwinding of discount on present value of ECL	-	-	(136)	(136)
At 31 December 2022	(2,202)	(6,169)	(1,290)	(9,661)

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

Micro loans	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2021	74,359	24,191	3,312	664	102,526
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	254,629	-	-	-	254,629
Derecognised during the period	(112,368)	(35,411)	(1,345)	(664)	(149,788)
Transfers:					
- to lifetime (from Stage 1 to Stage 2)	(71,376)	71,376	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(347)	(256)	603	-	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	4,683	(4,163)	(520)	-	-
- from Stage 3 to Stage 2	-	10	(10)	-	-
Total movements with impact on credit loss allowance charge for the period	75,221	31,556	(1,272)	(664)	104,841
Movements without impact on credit loss allowance charge for the period:					
Amounts written off	-	-	(405)	-	(405)
At 1 January 2022	149,580	55,747	1,635	-	206,962

Micro loans	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	(763)	(2,477)	(1,867)	(414)	(5,521)
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	(7,247)	-	-	-	(7,247)
Derecognised during the period	478	1,188	900	417	2,983
Changes to ECL measurement model assumptions	151	472	(57)	(3)	563
Transfers:					
- to lifetime (from Stage 1 to Stage 2)	5,186	(5,179)	-	-	7
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	510	46	(704)	-	(148)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(16)	464	294	-	742
- from Stage 3 to Stage 2	-	-	5	-	5
Total movements with impact on credit loss allowance charge for the period	(938)	(3,009)	439	414	(3,095)
Movements without impact on credit loss allowance charge for the period:					
Amounts written off	-	-	407	-	407
Unwinding of discount on present value of ECLs	-	-	(87)	-	(87)
At 1 January 2022	(1,701)	(5,486)	(1,109)	-	(8,296)

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 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
<i>Movements with impact on credit loss allowance charge for the period:</i>				
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
Other movement	423	60	74	557
Write off additional charge (other movement)	-	(7)	(197)	(204)
Changes to ECL measurement model assumptions	-	-	-	-
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 on present value of ECL	-	-	(97)	(97)
At 31 December 2023	(3,644)	(516)	(3,179)	(7,339)

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

SME loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	292,855	22,560	11,960	327,375
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	330,340	-	-	330,340
Derecognised during the period	(271,291)	(21,134)	(2,949)	(295,374)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(25,902)	25,902	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(7,165)	(34)	7,199	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	11,456	(11,352)	(104)	-
- from Stage 3 to Stage 2	-	1,818	(1,818)	-
Amounts written off	-	-	(3,238)	(3,238)
At 31 December 2022	330,293	17,760	11,050	359,103
SME loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	(3,788)	(843)	(6,055)	(10,686)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(1,615)	-	-	(1,615)
Derecognised during the period	1,970	172	962	3,104
Other movement	558	63	(600)	21
Write off additional charge (other movement)	-	-	(780)	(780)
Changes to ECL measurement model assumptions				
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	127	(224)	-	(97)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	34	1	(1,340)	(1,305)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(76)	236	26	186
- from Stage 3 to Stage 2	-	(23)	458	435
Total movements with impact on credit loss allowance charge for the period	998	225	(1,274)	(51)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	3,238	3,238
Unwinding of discount on present value of ECL	-	-	(237)	(237)
At 31 December 2022	(2,790)	(618)	(4,328)	(7,736)

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

SME loans	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2021	207,928	8,460	24,426	23	240,837
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	369,748	-	-	-	369,748
Derecognised during the period	(271,310)	(107)	(11,445)	(23)	(282,885)
Transfers:					
- to lifetime (from Stage 1 to Stage 2)	(13,271)	13,271	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(5,110)	-	5,110	-	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	4,870	(3,304)	(1,566)	-	0
- from Stage 3 to Stage 2	-	4,240	(4,240)	-	-
Total movements with impact on credit loss allowance charge for the period	84,927	14,100	(12,141)	(23)	86,863
Movements without impact on credit loss allowance charge for the period:					
Amounts written off	-	-	(325)	-	(325)
At 1 January 2022	292,855	22,560	11,960	-	327,375

SME loans	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	(2,961)	(659)	(9,299)	(11)	(12,930)
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	(3,070)	-	-	-	(3,070)
Derecognised during the period	1,076	107	4,598	13	5,794
Changes to ECL measurement model assumptions	(662)	(170)	(1,670)	(2)	(2,504)
Transfers:					
- to lifetime (from Stage 1 to Stage 2)	301	(334)	-	-	(33)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	1,576	-	(1,938)	-	(362)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(48)	305	692	-	949
- from Stage 3 to Stage 2	-	(92)	1,705	-	1,613
Total movements with impact on credit loss allowance charge for the period	(827)	(184)	3,387	11	2,387
Movements without impact on credit loss allowance charge for the period:					
Amounts written off	-	-	325	-	325
Unwinding of discount on present value of ECLs	-	-	(468)	-	(468)
At 1 January 2022	(3,788)	(843)	(6,055)	-	(10,686)

Bank Respublika OJSC

Notes to the Separate Financial Statements - 31 December 2023

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

17 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
<i>Movements with impact on credit loss allowance charge for the period:</i>				
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)
Other movement	(353)	(23)	86	(290)
Write off additional charge (other movement)	(9)	-	(1,515)	(1,524)
Changes to ECL measurement model assumptions				
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 on present value of ECL	-	-	(99)	(99)
At 31 December 2023	(2,006)	(366)	(2,484)	(4,856)

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	138,427	1,285	298	140,010
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	331,145	-	-	331,145
Derecognised during the period	(247,508)	(6,966)	(1,410)	(255,884)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(15,826)	15,826	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2,633)	(175)	2,808	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	123	(16)	(107)	-
- from Stage 3 to Stage 2	-	33	(33)	-
Amounts written off	-	-	(319)	(319)
At 31 December 2022	203,728	9,987	1,237	214,952

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	(930)	(73)	(167)	(1,170)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(897)	-	-	(897)
Derecognised during the period	516	10	119	645
Other movement	(633)	(99)	24	(708)
Write off additional charge (other movement)	-	(77)	(90)	(167)
Changes to ECL measurement model assumptions				
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	43	(110)	-	(67)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	3	9	(732)	(720)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(1)	1	28	28
- from Stage 3 to Stage 2	-	-	8	8
Total movements with impact on credit loss allowance charge for the period	(969)	(266)	(643)	(1,878)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	319	319
Unwinding of discount on present value of ECL	-	-	(33)	(33)
At 31 December 2022	(1,899)	(339)	(524)	(2,762)

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

Retail loans	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2021	59,518	8,019	1,220	657	69,414
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	174,587	-	-	-	174,587
Derecognised during the period	(94,464)	(7,342)	(583)	(657)	(103,045)
Transfers:					
- to lifetime (from Stage 1 to Stage 2)	(1,250)	1,250	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(451)	(240)	691	-	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	487	(405)	(82)	-	-
- from Stage 3 to Stage 2	-	3	(3)	-	-
Total movements with impact on credit loss allowance charge for the period	78,909	(6,734)	23	(657)	71,541
Movements without impact on credit loss allowance charge for the period:					
Amounts written off	-	-	(945)	-	(945)
At 1 January 2022	138,427	1,285	298	-	140,010

Retail loans	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	(271)	(173)	(534)	(315)	(1,293)
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	(602)	-	-	-	(602)
Derecognised during the period	171	52	150	394	766
Changes to ECL measurement model assumptions	(357)	(141)	(210)	(79)	(787)
Transfers:					
- to lifetime (from Stage 1 to Stage 2)	33	(35)	-	-	(2)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	98	205	(335)	-	(32)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(2)	20	29	-	47
- from Stage 3 to Stage 2	-	-	1	-	1
Total movements with impact on credit loss allowance charge for the period	(659)	100	(365)	315	(609)
Movements without impact on credit loss allowance charge for the period:					
Amounts written off	-	-	946	-	946
Unwinding of discount on present value of ECLs	-	-	(214)	-	(214)
At 1 January 2022	(930)	(73)	(167)	-	(1,170)

Bank Respublika OJSC

Notes to the Separate Financial Statements - 31 December 2023

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

17 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
<i>Movements with impact on credit loss allowance charge for the period:</i>				
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
Other movement	(11)	(5)	23	7
Write off additional charge (other movement)	-	-	(71)	(71)
Changes to ECL measurement model assumptions				
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 on present value of ECL	-	-	(7)	(7)
At 31 December 2023	(83)	(115)	(133)	(331)

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2022	58,227	731	604	59,562
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	21,926	-	-	21,926
Derecognised during the period	(10,116)	(638)	(373)	(11,127)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(2,779)	2,779	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(222)	(30)	252	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	346	(284)	(62)	-
- from Stage 3 to Stage 2	-	125	(125)	-
Amounts written off	-	-	(72)	(72)
At 31 December 2022	67,382	2,683	224	70,289

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2022	(70)	(37)	(211)	(318)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(6)	-	-	(6)
Derecognised during the period	6	2	17	25
Other movement	8	1	(18)	(9)
Write off additional charge (other movement)	-	-	(16)	(16)
Changes to ECL measurement model assumptions				
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	1	(34)	-	(33)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	1	3	(39)	(35)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(1)	18	7	24
- from Stage 3 to Stage 2	-	(1)	14	13
Total movements with impact on credit loss allowance charge for the period	9	(11)	(35)	(37)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	72	72
Unwinding of discount on present value of ECL	-	-	(1)	(1)
At 31 December 2022	(61)	(48)	(175)	(284)

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

Mortgage loans	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2021	44,922	2,250	2,386	2	49,560
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	21,480	-	-	-	21,480
Derecognised during the period	(9,167)	(883)	(462)	(2)	(10,514)
Transfers:					
- to lifetime (from Stage 1 to Stage 2)	(370)	370	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(176)	(179)	355	-	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,538	(1,351)	(187)	-	-
- from Stage 3 to Stage 2	-	524	(524)	-	-
Total movements with impact on credit loss allowance charge for the period	13,305	(1,519)	(818)	(2)	10,966
Movements without impact on credit loss allowance charge for the period:					
Amounts written off	-	-	(964)	-	(964)
At 1 January 2022	58,227	731	604	-	59,562

Mortgage loans	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	(175)	(204)	(739)	-	(1,118)
Movements with impact on credit loss allowance charge for the period:					
New assets originated or purchased	(24)	-	-	-	(24)
Derecognised during the period	14	18	14	-	46
Changes to ECL measurement model assumptions	115	27	(476)	-	(334)
Transfers:					
- to lifetime (from Stage 1 to Stage 2)	2	(22)	-	-	(20)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	2	22	(36)	-	(12)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(4)	124	24	-	144
- from Stage 3 to Stage 2	-	(2)	66	-	64
Total movements with impact on credit loss allowance charge for the period	105	167	(408)	-	(135)
Movements without impact on credit loss allowance charge for the period:					
Amounts written off	-	-	964	-	964
Unwinding of discount on present value of ECLs	-	-	(28)	-	(28)
At 1 January 2022	(70)	(37)	(211)	-	(318)

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

During 2023 a mortgage portfolio valued at 20 million AZN was transferred from “Muganbank” OJSC to the Bank pursuant to the decision of AMF, with the process being formalized by the signing of an amendment to the service agreement dated June 11, 2018.

The Bank 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 fulfillment of insurance obligations, analyzes 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 Bank believes that it acts as an agent in respect of the transferred portfolio.

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

Credit quality analysis

The following table sets out information about the credit quality of loans to customers measured at amortised cost as at 31 December 2023, as at 31 December 2022 and as at 1 January 2022 based on days past due. Unless specially indicated, the amounts in the table represent gross carrying amounts.

	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

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Micro Loans				
Not past due	253,857	77,038	883	331,778
Less than 30 days	53	265	77	395
31 to 90 days	2	185	121	308
91 to 180 days	-	-	301	301
181 to 360 days	-	-	572	572
Over 360 days	-	-	675	675
Total	253,912	77,488	2,629	334,029
Loss allowance	(2,202)	(6,169)	(1,290)	(9,661)
Carrying amount	251,710	71,319	1,339	324,368

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

	1 January 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Micro Loans					
Not past due	149,355	55,580	547	-	205,482
Less than 30 days	225	62	5	-	292
31 to 90 days	-	105	38	-	143
91 to 180 days	-	-	320	-	320
181 to 360 days	-	-	387	-	387
Over 360 days	-	-	338	-	338
Total	149,580	55,747	1,635	-	206,962
Loss allowance	(1,701)	(5,486)	(1,109)	-	(8,296)
Carrying amount	147,879	50,261	526	-	198,666

	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 2022			
	Stage 1	Stage 2	Stage 3	Total
SME Loans				
Not past due	325,255	15,859	5,790	346,904
Less than 30 days	5,038	1,631	2,966	9,635
31 to 90 days	-	270	5	275
91 to 180 days	-	-	1,247	1,247
181 to 360 days	-	-	145	145
Over 360 days	-	-	897	897
Total	330,293	17,760	11,050	359,103
Loss allowance	(2,790)	(618)	(4,328)	(7,736)
Carrying amount	327,503	17,142	6,722	351,367

	1 January 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
SME Loans					
Not past due	285,681	17,343	6,849	-	309,873
Less than 30 days	7,174	4,266	877	-	12,317
31 to 90 days	-	951	485	-	1,436
91 to 180 days	-	-	447	-	447
181 to 360 days	-	-	325	-	325
Over 360 days	-	-	2,977	-	2,977
Total	292,855	22,560	11,960	-	327,375
Loss allowance	(3,788)	(843)	(6,055)	-	(10,686)
Carrying amount	289,067	21,717	5,905	-	316,689

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

	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

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Retail Loans				
Not past due	201,764	6,546	190	208,500
Less than 30 days	1,964	2,213	64	4,241
31 to 90 days	-	1,228	56	1,284
91 to 180 days	-	-	448	448
181 to 360 days	-	-	407	407
Over 360 days	-	-	72	72
Total	203,728	9,987	1,237	214,952
Loss allowance	(1,899)	(339)	(524)	(2,762)
Carrying amount	201,829	9,648	713	212,190

	1 January 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Retail Loans					
Not past due	136,067	664	123	-	136,854
Less than 30 days	2,360	301	5	-	2,666
31 to 90 days	-	320	2	-	322
91 to 180 days	-	-	95	-	95
181 to 360 days	-	-	6	-	6
Over 360 days	-	-	67	-	67
Total	138,427	1,285	298	-	140,010
Loss allowance	(930)	(73)	(167)	-	(1,170)
Carrying amount	137,497	1,212	131	-	138,840

	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

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

	31 December 2022			Total
	Stage 1	Stage 2	Stage 3	
Mortgage Loans				
Not past due	67,382	2,177	45	69,604
Less than 30 days	-	385	2	387
31 to 90 days	-	121	11	132
91 to 180 days	-	-	2	2
181 to 360 days	-	-	32	32
Over 360 days	-	-	132	132
Total	67,382	2,683	224	70,289
Loss allowance	(61)	(48)	(175)	(284)
Carrying amount	67,321	2,635	49	70,005

	1 January 2022				
	Stage 1	Stage 2	Stage 3	POCI	Total
Mortgage Loans					
Not past due	57,811	371	34	-	58,216
Less than 30 days	416	138	9	-	563
31 to 90 days	-	222	32	0	254
91 to 180 days	-	-	89	0	89
181 to 360 days	-	-	64	0	64
Over 360 days	-	-	376	-	376
Total	58,227	731	604	0	59,562
Loss allowance	(70)	(37)	(210)	0	(318)
Carrying amount	58,157	694	393	0	59,244

Sensitivity**31 December 2023**

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

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 1,724 thousand at 31 December 2023. 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 2,116 thousand at 31 December 2023. 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 889 thousand at 31 December 2023. 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 137 thousand at 31 December 2023. 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 2023.

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 8,971 thousand as of 31 December 2023.

17 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 3,592 thousand as of 31 December 2023. 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 2,765 thousand as of 31 December 2023. 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 1,621 thousand as of 31 December 2023. 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 993 thousand as of 31 December 2023. 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 have no effect as of 31 December 2023.

31 December 2022

LGD increase. 10 percentage points increase in LGD estimates would result in an increase in total expected credit loss allowances of AZN 5,255 thousand at 31 December 2022.

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 2,005 thousand at 31 December 2022. 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 2,431 thousand at 31 December 2022. 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 665 thousand at 31 December 2022. 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 111 thousand at 31 December 2022. 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 44 thousand at 31 December 2022.

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 4,235 thousand as of 31 December 2022.

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 2,088 thousand as of 31 December 2022. 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 1,047 thousand as of 31 December 2022. 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 620 thousand as of 31 December 2022. 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 469 thousand as of 31 December 2022. 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 12 thousand as of 31 December 2022.

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)***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 Bank 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.

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
- Government fund guarantees	10,661	347	-	275	-	11,283
- Motor vehicles	12,146	47,472	364	20	-	60,002
- Precious metals	29,422	26,755	43,134	204	32	99,547
Total	374,959	194,636	53,846	83,572	227	707,240
Soft collaterals	6,198	152,503	147	-	-	158,848
Unsecured exposures (excluding soft)	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

Description of collateral held for loans carried at amortised cost is as follows at 31 December 2022:

	SME loans	Micro loans	Retail loans	Mortgage loans	Card loans	Total
Loans collateralised by:						
- real estate	241,989	90,251	5,748	69,285	20	407,293
- cash and deposits	25,376	1,284	3,895	-	226	30,781
- government fund guarantees	31,195	1,186	-	286	-	32,667
- motor vehicles	11,627	34,989	164	40	-	46,820
- precious metals	49	6,898	40,406	-	-	47,353
Total	310,236	134,608	50,213	69,611	246	564,914
Soft collaterals	27,589	123,660	259	-	-	151,508
Unsecured exposures (excluding soft)	13,542	66,100	161,718	394	1,368	243,122
Total carrying value of loans to customers at AC	351,367	324,368	212,190	70,005	1,614	959,544

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

Description of collateral held for loans carried at amortised cost is as follows at 1 January 2022:

	SME loans	Micro loans	Retail loans	Mortgage loans	Card loans	Total
Loans collateralised by:						
- real estate	190,225	63,034	4,934	58,943	76	317,212
- cash and deposits	22,176	1,088	4,010	-	179	27,453
- government fund guarantees	53,256	1,981	-	301	-	55,538
- motor vehicles	3,187	18,119	413	-	-	21,719
- gold	54	5,924	35,094	-	-	41,072
Total	268,898	90,146	44,451	59,244	255	462,994
Soft collaterals	22,853	63,885	385	-	-	87,123
Unsecured exposures (excluding soft)	24,938	44,635	94,004	-	1,486	165,063
Total carrying value loans to customers at AC	316,689	198,666	138,840	59,244	1,741	715,180

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
- government fund guarantees	-	-	-	-	-	-
- motor vehicles	403	861	20	-	-	1,284
- precious metals	-	-	-	-	-	-
Total	1,802	1,393	82	161	10	3,448
Soft collaterals	-	486	-	-	-	486
Unsecured exposures (excluding soft)	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

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 Loans to Customers (Continued)**

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 2022:

	SME loans	Micro loans	Retail loans	Mortgage loans	Card loans	Total
Loans collateralised by:						
- real estate	3,604	648	104	44	-	4,400
- cash and deposits	-	-	8	-	1	9
- government fund guarantees	12	-	-	-	-	12
- motor vehicles	884	148	3	-	-	1,035
- precious metals	-	17	61	-	-	78
Total	4,500	813	176	44	1	5,534
Soft collaterals	697	344	-	-	-	1,041
Unsecured exposures (excluding soft)	1,525	182	537	5	3	2,252
Total carrying value of loans to customers at AC	6,722	1,339	713	49	4	8,827

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 1 January 2022:

	SME loans	Micro loans	Retail loans	Mortgage loans	Card loans	Total
Loans collateralised by:						
- real estate	3,247	496	85	395	2	4,225
- cash and deposits	93	-	-	-	-	93
- government fund guarantees	-	-	-	-	-	0
- motor vehicles	138	-	9	-	-	147
- gold	-	30	36	-	-	66
Total	3,478	526	130	395	2	4,531
Soft collaterals	1,035	-	-	-	-	1,035
Unsecured exposures (excluding soft)	1,392	-	-	-	5	1,397
Total carrying value loans to customers at AC	5,905	526	130	395	7	6,963

Significant credit exposures

As at 31 December 2023, the Bank had 74 borrowers (31 December 2022: 81) with gross loan balances exceeding AZN 1,000 thousand. The total gross value of these loans as at 31 December 2023 was AZN 208,769 thousand or 17% of the total loans to customers (31 December 2022: AZN 192,085 thousand or 19%)

Loan maturities

The maturity of the loan portfolio is presented in Note 32, which shows the remaining period from the reporting date to the contractual maturity of the loans.

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***18. Investment Securities**

	2023	2022	2021
Investment in debt securities at AC	61,632	49,383	35,998
Investment securities at FVOCI - equity instruments	775	774	775
Investment securities, gross	62,407	50,157	36,773
Loss allowance	(195)	(195)	(195)
Total investment securities	62,212	49,962	36,578

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	26,858	26,858
Corporate bonds	34,774	34,774
Total investments in debt securities at 31 December 2023 (fair value or gross carrying value)	61,632	61,632
Credit loss allowance	(195)	(195)
Total investments in debt securities at 31 December 2023 (carrying value)	61,437	61,437

The table below discloses investments in debt securities at 31 December 2022 by measurement categories and classes:

	Investment in debt securities at AC	Total
Government bonds	14,613	14,613
Corporate bonds	34,770	34,770
Total investments in debt securities at 31 December 2022 (fair value or gross carrying value)	49,383	49,383
Credit loss allowance	(195)	(195)
Total investments in debt securities at 31 December 2022 (carrying value)	49,188	49,188

The table below discloses investments in debt securities at 1 January 2022 by measurement categories and classes:

	Investment in debt securities at AC	Total
Government bonds	1,224	1,224
Corporate bonds	34,774	34,774
Total investments in debt securities at 31 December 2022 (fair value or gross carrying value)	35,998	35,998
Credit loss allowance	(195)	(195)
Total investments in debt securities at 31 December 2022 (carrying value)	35,803	35,803

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***18 Investment Securities (Continued)**

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

	Stage 1 (12-months ECL)
Government bonds	
- Good	26,858
Corporate bonds	
- Good	34,774
Gross carrying amount	61,632
Credit loss allowance	(195)
Carrying amount	61,437

The carrying amount of investment in debt securities at AC at 31 December 2022 below also represents the Bank's maximum exposure to credit risk on these assets:

	Stage 1 (12-months ECL)
Government bonds	
- Good	14,613
Corporate bonds	
- Good	34,770
Gross carrying amount	49,383
Credit loss allowance	(195)
Carrying amount	49,188

The carrying amount of investment in debt securities at AC at 1 January 2022 below also represents the Bank's maximum exposure to credit risk on these assets:

	Stage 1 (12-months ECL)
Government bonds	
- Good	1,224
Corporate bonds	
- Good	34,774
Gross carrying amount	35,998
Credit loss allowance	(195)
Carrying amount	35,803

Investment securities designated at FVOCI - equity instruments.

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

	Ownership, 2023		Ownership,		Ownership,		2021
	%	500	%	2022	%	500	500
Milli Kart LLC	8.30	500	8.30	500	10.00	500	500
Azerbaijan Credit Bureau LLC	12.50	250	12.50	250	12.50	250	250
SWIFT	-	25	-	24	-	25	25
		<u>775</u>		<u>774</u>		<u>775</u>	<u>775</u>

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***19. Derivative financial instruments**

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 2023		Notional amount	31 December 2022		Notional amount	1 January 2022	
		Fair value			Fair value			Fair value	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
Swaps – domestic	65,075	-	(2,433)	105,075	2,463	(1,702)	80,000	1,231	-
Swaps – foreign	39,100	3,825	-	8,500	-	(400)	34,000	730	(484)
Forward	9,964	-	(510)	9,964	482	-	6,186	-	(673)
Total derivative financial instruments	114,139	3,825	(2,943)	123,539	2,945	(2,102)	120,186	1,961	(1,157)

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

	2023	2022
Interest expense on derivative financial instruments	(7,985)	(10,982)
Fair value gain from derivative financial instruments	39	39
Losses less gains from financial derivatives	(7,946)	(10,943)

Bank Respublika OJSC

Notes to the Separate Financial Statements - 31 December 2023

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

20. Property and Equipment

	Land	Buildings	Right-of-use assets	Fixtures and equipment	Computers	Motor vehicles	Leasehold improvements	Other equipment	Computer software and licenses	Total
Cost/revalued amount										
Balance at 1 January 2022	5,638	26,545	4,999	9,861	12,146	1,717	1,280	617	6,806	69,609
Additions	-	272	1,524	1,486	1,550	122	376	-	251	5,581
Disposals	(1,095)	(488)	(731)	(24)	(77)	(152)	-	-	-	(2,567)
Reassessment and modification of right-of-use assets	-	-	125	-	-	-	-	-	-	125
Balance at 31 December 2022	4,543	26,329	5,917	11,323	13,619	1,687	1,656	617	7,057	72,748
Balance at 1 January 2023	4,543	26,329	5,917	11,323	13,619	1,687	1,656	617	7,057	72,748
Additions	-	1,191	1,583	1,873	2,993	610	725	124	1,560	10,659
Disposals	(4,507)	-	(1,012)	(13)	(97)	(63)	-	(1)	-	(5,693)
Reassessment and modification of right-of-use assets	-	-	50	-	-	-	-	-	-	50
Revaluation	-	2,853	-	-	-	-	-	-	-	2,853
Balance at 31 December 2023	36	30,373	6,538	13,183	16,515	2,234	2,381	740	8,617	80,617
Accumulated depreciation										
Balance at 1 January 2022	-	(493)	(2,223)	(6,998)	(7,426)	(1,234)	(1,063)	(560)	(5,355)	(25,352)
Depreciation for the year	-	(316)	(1,083)	(600)	(913)	4	(79)	(21)	(225)	(3,233)
Elimination on disposals	-	4	483	22	72	67	-	-	-	648
Balance at 31 December 2022	-	(805)	(2,823)	(7,576)	(8,267)	(1,163)	(1,142)	(581)	(5,580)	(27,937)
Depreciation for the year	-	(384)	(1,239)	(637)	(1,243)	(88)	(133)	(104)	(244)	(4,072)
Elimination on disposals	-	-	600	7	89	46	-	1	-	743
Revaluation	-	957	-	-	-	-	-	-	-	957
Balance at 31 December 2023	-	(232)	(3,462)	(8,206)	(9,421)	(1,205)	(1,275)	(684)	(5,824)	(30,309)
Carrying amount										
At 31 December 2022	4,543	25,524	3,094	3,747	5,352	524	514	36	1,477	44,811
At 31 December 2023	36	30,141	3,076	4,977	7,094	1,029	1,106	56	2,793	50,308

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***20 Property and Equipment (Continued)**

As at 31 December 2023 and 2022, included in property and equipment were fully depreciated assets of 12,533 AZN thousand and AZN 12,553 thousand, respectively.

Buildings owned by the Bank are carried at revalued amounts based on the independent appraiser's report. As at 31 December 2023, fair value of these buildings is AZN 3,810 thousand more than their carrying value. (31 December 2022: approximately equals to their carrying value). If the buildings were accounted at historical cost less accumulated depreciation and impairment losses, its carrying value would be AZN 18,035 thousand as at 31 December 2023 (31 December 2022: AZN 17,213 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.

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

	31 December 2023	31 December 2022	1 January 2022
Short-term lease liabilities	(1,672)	(1,480)	(819)
Long-term lease liabilities	(2,183)	(2,262)	(2,319)
Total lease liabilities	(3,855)	(3,742)	(3,138)

Sensitivity

Useful lives are accounting estimates and 10% increase/decrease in useful lives would result in increase by 287 thousand AZN and decrease by 219 thousand AZN in depreciation expense for the year, (31 December 2022: increase by 264 thousand AZN and decrease by 177 thousand AZN) respectively.

Details of the Bank's buildings and information about the fair value hierarchy as at 31 December 2023 and 2022 are as follows:

	31 December 2023		31 December 2022		1 January 2022	
	Level 3	Fair value	Level 3	Fair value	Level 3	Fair value
Buildings	30,141	30,141	25,524	25,524	26,047	26,047
Total	30,141	30,141	25,524	25,524	26,047	26,047

21. Other Assets

	31 December 2023	31 December 2022	1 January 2022
Settlements on money transfers	14,046	12,460	6,733
Receivables from the government	707	707	588
Other financial assets	1,544	1,669	733
Total other financial assets	16,297	14,836	8,054
Prepayments for property, equipment, and intangible assets	1,025	1,167	641
Deferred expenses	3,020	2,632	1,893
Other prepayments	207	397	471
Prepaid taxes	-	688	688
Other	-	-	49
Total other non-financial assets	4,252	4,884	3,742
Total other assets	20,549	19,720	11,796

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023**

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

21 Other Assets (Continued)

Included in other assets as at 31 December 2023 and 31 December 2022 AZN 707 thousand represents compensations receivable from the government for impairment losses on loans denominated in foreign currency resulting from devaluation of the national currency in 2015. Compensations were made to customers in advance by the Bank on behalf of the government based on the decree of the President of the Republic of Azerbaijan signed on 28 February 2019 "On the additional measures related to the solution of problem loans of individuals in the Republic of Azerbaijan.

22. Investment in subsidiaries

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 operates under insurance licenses issued by the Ministry of Finance of the Republic of Azerbaijan dated 12 February 2004.

Investments in subsidiaries represent investments in share capitals of subsidiaries. Investments in subsidiaries are AZN 7,555 as of 31 December 2023, AZN 5,045 as of 31 December 2022 and 1 January 2022.

Name	Country of incorporation	Principal activities	Ownership %	
			2023	2022
Baki Sigorta OJSC	The Republic of Azerbaijan	Insurance	79.4	51

In consolidated financial statements of the Bank Respublika OJSC Baki Sigorta OJSC is consolidated.

For Bank Respublika OJSC's separate financial statements purposes the investment in insurance company is presented within "Investment in subsidiaries" line.

23. Amounts Due to Credit Institutions

	31 December 2023	31 December 2022	1 January 2022
Current accounts	2,935	2,096	1,052
Term deposits	2,074	5,774	128
	5,009	7,870	1,180

24. Repossessed Collateral

As of 31 December 2023, and 2022, repossessed collateral in the amount of AZN 2,963 thousand and AZN 4,244 thousand is represented by AZN 2,963 thousand and AZN 4,119 thousand of real estate (apartments, land and non-living area), respectively, which the Bank took possession of, and is available for sale.

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***25. Current Accounts and Deposits from Customers**

	31 December 2023	31 December 2022	1 January 2022
Current accounts and demand deposits			
- Retail	164,048	164,506	107,565
- Corporate	680,085	321,772	318,014
Term deposits			
- Retail	505,799	397,635	302,644
- Corporate	125,519	118,363	97,256
	1,475,451	1,002,276	825,479

Current accounts and deposits of entrepreneurs held with the Bank are included in corporate segment line in the table above.

As at 31 December 2023, the Bank has 8 customers (2022: 3 customers), whose balances exceed 10% of equity. These balances as at 31 December 2023 total AZN 595,588 thousand (2022: AZN 193,821 thousand).

26. Subordinated Borrowings

	Currency	Placement period	2023 nominal interest rate	31 December 2023	2022 nominal interest rate	31 December 2022	2021 nominal interest rate	1 January 2022
Subordinated borrowings from foreign credit institutions - third parties	USD	2029-2031	7.80%- 13.12%	29,899	7.80%- 11.92%	26,072	7.57%- 7.80%	20,646
Total subordinated borrowings				29,899		26,072		20,646

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

Dutch Entrepreneurial Development Bank (FMO). There are two active issuances of subordinated debt from FMO each with 27 September 2029 maturity date. The rate of interest on the loan facility for each interest period is the percentage rate per annum which is the aggregate of the applicable margin and reference rate.

EMF Microfinance Fund (EMF). There are two active issuances of subordinated debt from EMF with 02 June 2029 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.

On 28 March 2023, the Bank entered into new synthetic USD subordinated loan agreement with INCOFIN CVSO CVBA SO, a Belgian investment company for 8 years in the amount of the equivalent in USD of EUR 2 million at the fixed EUR interest rate of 8.01% per annum.

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***26 Subordinated Borrowings (Continued)**

For liquidity disclosure refer to Note 32.

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

	Subordinated borrowings
Balance at 1 January 2022	20,646
Proceeds from subordinated borrowings, principal	5,100
Repayments of subordinated borrowings, principal	-
Interest expense	1,536
Interest paid	(1,210)
Balance at 1 January 2023	26,072
Proceeds from subordinated borrowings, principal	3,699
Repayments of subordinated borrowings, principal	-
Interest expense	2,990
Interest paid	(2,862)
Balance at 31 December 2023	29,899

27. Other Borrowed Funds

	31 December 2023	31 December 2022	1 January 2022
Loans from local credit institutions:			
The Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan	81,802	68,329	56,870
Entrepreneurship Development Fund of the Republic of Azerbaijan	82,464	67,000	57,193
Agrarian Credit and Development Agency	13,299	13,153	12,568
The Central Bank of the Republic of Azerbaijan	3,547	6,461	9,172
Total loans from local credit institutions	181,112	154,943	135,803
Loans from foreign credit institutions:			
IFC	62,139	-	-
FMO	31,979	45,672	19,994
Asian Development Bank	14,607	-	-
European Bank for Reconstruction and Development	12,969	24,806	18,727
EFSE	10,238	20,492	-
INCOFIN CVSO CVBA SO	9,775	-	-
Total loans from foreign credit institutions	141,707	90,970	38,721
Total loans received from local and foreign credit institutions	322,819	245,913	174,524

Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan. Under this program, funds made available to the Bank at interest rates of 1-4% p.a. and the Bank 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.

Entrepreneurship Development Fund of the Republic of Azerbaijan. Under this program, funds made available to the Bank at an interest rate of 1-2% p.a. and the Bank 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. Under this program, funds made available to the Bank at an interest rate of 2% and 2.5% p.a. and the Bank 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. During 2020 and 2019, the CBAR issued loans to the Bank 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. As at 31 December 2023 and 31 December 2022 amortized carrying amount of these loans was AZN 3,547 thousand and AZN 6,461 thousand respectively.

27 Other Borrowed Funds (Continued)

In estimating the effective interest rates for term borrowings from National Fund for Entrepreneurship Support of Azerbaijan Republic, Azerbaijan Mortgage and Credit Guarantee Fund and Agrarian Credit and Development Agency under the Ministry of Agriculture the Bank considers this market as a separate market from other commercial borrowing business as these loans are issued to the whole banking sector of Azerbaijan at the same terms, purposes, conditions and credit risk exposures.

Included in loans received from foreign credit institutions are AZN and synthetic AZN loans from third party foreign credit institutions. These loans have original maturity periods from 12 months to 3 years. (31 December 2022: original maturity periods from 12 months to 3 years). Interest rates on these loans are fixed on disbursement date and range from 9.1 % to 11.45% as at 31 December 2023 (31 December 2022: fixed and range from 9 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% per annum in AZN.

Loans from European Bank for Reconstruction and Development and EFSE are synthetic AZN loans, denominated in USD. For loans from EFSE interest rate is equal to the sum of a spread of 8.6% p.a. and applicable swap rate.

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.

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

As at 31 December 2023 and 2022, loans received from local and foreign credit institutions did not include loans from related party foreign credit institutions.

The Bank 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 Bank's compliance with these financial covenants is disclosed in Note 34.

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***27 Other Borrowed Funds (Continued)**

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

	<u>Other borrowed funds</u>
Balance at 1 January 2022	174,524
Financing cash flows:	
Proceeds from other borrowed funds, principal	151,530
Repayments of other borrowed funds, principal	(82,249)
Interest expense	10,824
Interest paid	(8,716)
Balance at 1 January 2023	245,913
Financing cash flows:	
Proceeds from other borrowed funds, principal	177,280
Repayments of other borrowed funds, principal	(103,728)
Interest expense	18,062
Interest paid	(14,708)
Balance at 31 December 2023	322,819

28. Bonds Issued

One of the bonds matured during 2023. There are 3 active bonds as at 31 December 2023 and all are listed on the Baku Stock Exchange. These bonds have a maturity date of two years, with 15,000, 15,000, and 5,000 bonds respectively. The nominal rate is AZN 1,000. The coupons on the bond issued in June 2022 are payable quarterly, while the others are payable semi-annually, all with a coupon rate of 8.5%. These issuances were made through public placement and fully purchased by several investors.

	<u>31 December 2023</u>	<u>31 December 2022</u>	<u>1 January 2022</u>
Bonds issued on domestic market	35,719	45,758	10,038
Total debt securities in issue	35,719	45,758	10,038

29. Share Capital

The Bank issued 204 thousand new shares in December 2023. Shares issued in December 2023 with the total nominal value of AZN 500 thousand were purchased by the existing shareholders and fully paid.

As at 31 December 2023, share capital consists of 30,188 thousand ordinary share (31 December 2022 29,984 thousand) with par value of AZN 2,45 each.

The dividends per ordinary shares are as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Dividends payable at 1 January		-	-
Dividends declared during the year	5,997	12,000	-
Dividends paid during the year	(5,997)	(12,000)	-
Dividends payable at 31 December	-	-	-
Dividends per share declared during the year	0.20	0.40	-

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023**

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

30. Other Liabilities

	31 December 2023	31 December 2022	1 January 2022
Settlements on money transfers and plastic card operations	7,214	1,526	1,725
Items in course of settlement	1,574	3,384	1,875
Professional fees payable	169	158	607
Other	3	3	3
Total other financial liabilities	8,960	5,071	4,210
Salary and Other Payables to Employees	10,744	14,191	9,059
Payable to the Deposit Insurance Fund	1,204	694	610
Other non-financial liabilities	1,109	1,486	1,424
Total other non-financial liabilities	13,057	16,371	11,093
Total other liabilities	22,017	21,442	15,303

31. 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 respective Executive Director (ED) (Business and Retail) and CFO (Treasury), and for which discrete financial information is available. The ED and CFO allocate resources and assess the performance of the segments for the Bank. The functions of ED are performed by members of the Management Board.

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

The Bank 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;

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

The Bank'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 separate statement of financial position.

Management, therefore, applied the core principle of IFRS 8 "Operating Segments", in determining which of the overlapping financial information sets should form the basis of operating segments.

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***31 Segment Analysis (Continued)****(c) Measurement of operating segment profit or loss, assets and liabilities**

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

- (i) income taxes are not allocated to segments;
- (ii) loan provisions are recognised based on IFRS 9 with recoveries and cost of recoveries presented on gross basis and allocated between segments;
- (iii) interest expense is allocated between segments based on internal transfer pricing practice of the Bank. This line includes allocation of losses less gains from financial derivatives, considering its nature and hedge purpose. Interest expenses are allocated to segments based on the respective loans to customers portfolio, followed by remuneration of respective segments based on attracted funding of the related segment;
- (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

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 2023 is set out below:

	Corporate banking	Retail banking	Treasury	Total
Interest income	109,578	48,593	24,612	182,783
Fee and commission income	12,865	16,769	-	29,634
Total revenues	122,443	65,362	24,612	212,417
Interest expense	(45,825)	(14,170)	(11,165)	(71,160)
Fee and commission expense	(6,983)	(14,953)	(876)	(22,812)
Operating expenses	(48,890)	(29,630)	(2,868)	(81,388)
Net gain on foreign exchange operations	6,438	5,689	(989)	11,138
Other income/(expense)	257	516	450	1,223
Credit loss allowances release for assets carried at amortised cost	642	228	-	870
Net segment result	28,082	12,300	9,164	49,546
Net segment result				49,546
Interest expense				(1,059)
Other income/(expense)				349
Income tax charge				(10,978)
Profit for the year				38,600

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023**

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

31 Segment Analysis (Continued)

Segment information for the reportable segments for the year ended 31 December 2022 is set out below:

	Corporate banking	Retail banking	Treasury	Total
Interest income	89,423	41,721	4,721	135,865
Fee and commission income	9,776	12,905	754	23,435
Total revenues	99,199	54,626	5,475	159,300
Interest expense	(30,868)	(7,959)	(16,199)	(55,026)
Fee and commission expense	(4,513)	(12,708)	(685)	(17,906)
Operating expenses	(44,051)	(24,293)	(2,546)	(70,890)
Net gain on foreign exchange operations	8,120	8,115	(154)	16,081
Other income/(expense)	281	316	344	941
Credit loss allowance release for assets carried at amortised cost	1,940	114	-	2,054
Net segment result	30,108	18,211	(13,765)	34,554
Net segment result				34,554
Interest expense				(587)
Income tax charge				(9,916)
Profit for the year				24,051

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***31 Segment Analysis (Continued)**

Segment assets:

31 December 2023	Segment assets	Corporate banking	Retail banking	Treasury
Loans to banks	141,979	-	-	141,979
Loans to customers	1,150,200	836,526	313,674	-
Investment securities	62,212	-	-	62,212
Derivative financial assets	3,825	-	-	3,825
Total segment assets	1,358,216	836,526	313,674	208,016

Cash and cash equivalents	592,869
Property and equipment	47,515
Intangible assets	2,793
Deferred tax assets	1,024
Other financial assets	16,297
Other assets	4,252
Repossessed collateral	2,963
Investment in subsidiaries	7,555

Total assets as per financial statements **2,033,484**

Segment liabilities:

31 December 2023	Segment liabilities	Corporate banking	Retail banking	Treasury
Current accounts and deposits from customers	1,475,451	836,526	638,925	-
Other borrowed funds	322,819	-	-	322,819
Derivative financial liabilities	2,943	-	-	2,943
Bonds issued	35,719	-	-	35,719
Subordinated borrowings	29,899	-	-	29,899
Total segment liabilities	1,866,831	836,526	638,925	391,380

Amounts due to credit institutions	5,009
Lease liabilities	3,855
Other financial liabilities	8,960
Other liabilities	13,057
Current income tax liability	2,880

Total liabilities as per financial statements **1,900,592**

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***31 Segment Analysis (Continued)**

Segment assets:

31 December 2022	Segment assets	Corporate banking	Retail banking	Treasury
Loans to banks	63,557	-	-	63,557
Loans to customers	959,544	695,057	264,487	-
Investment securities	49,962	-	-	49,962
Derivative financial assets	2,945	-	-	2,945
Total segment assets	1,076,008	695,057	264,487	116,464

Cash and cash equivalents	308,673
Property and equipment	43,334
Intangible assets	1,477
Deferred tax assets	1,546
Other financial assets	14,836
Other assets	4,884
Repossessed collateral	4,244
Investment in subsidiaries	5,045

Total assets as per financial statements **1,460,047**

Segment liabilities:

31 December 2022	Segment liabilities	Corporate banking	Retail banking	Treasury
Current accounts and deposits from customers	1,002,276	440,135	562,141	-
Other borrowed funds	245,913	-	-	245,913
Derivative financial liabilities	2,102	-	-	2,102
Bonds issued	45,758	-	-	45,758
Subordinated borrowings	26,072	-	-	26,072
Total segment liabilities	1,322,121	440,135	562,141	319,845

Amounts due to credit institutions	7,870
Lease liabilities	3,742
Other financial liabilities	5,071
Other liabilities	16,371
Current income tax liability	8,132

Total liabilities as per financial statements **1,363,307**

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***31 Segment Analysis (Continued)**

Segment assets:

1 January 2022	Segment assets	Corporate banking	Retail banking	Treasury
Loans to banks	28,107	-	-	28,107
Loans to customers	715,180	515,355	199,825	-
Investment securities	36,578	-	-	36,578
Derivative financial assets	1,961	-	-	1,961
Total segment assets	781,826	515,355	199,825	66,646

Cash and cash equivalents	287,398
Property and equipment	42,806
Intangible assets	1,451
Deferred tax assets	2,052
Other financial assets	8,054
Other assets	3,742
Repossessed collateral	4,763
Investment in subsidiaries	5,045

Total assets as per financial statements **1,137,137**

Segment liabilities:

1 January 2022	Segment liabilities	Corporate banking	Retail banking	Treasury
Current accounts and deposits from customers	825,479	415,270	410,209	-
Other borrowed funds	174,524	-	-	174,524
Derivative financial liabilities	1,157	-	-	1,157
Bonds issued	10,038	-	-	10,038
Subordinated borrowings	20,646	-	-	20,646
Total segment liabilities	1,031,844	415,270	410,209	206,365

Amounts due to credit institutions	1,180
Lease liabilities	3,138
Other financial liabilities	4,210
Other liabilities	11,093
Current income tax liability	984

Total liabilities as per financial statements **1,052,449**

32. Risk Management Policies

The risk management function within the Bank 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 Bank 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 Bank'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 Bank 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 Bank 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 Bank 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 Bank applies the same credit policy to the credit-related commitments as it does to the separate 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 Bank 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 Bank'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 separate statement of financial position, the maximum exposure is equal to the carrying amount of those assets.

The Bank'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 Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 Risk Management Policies (Continued)**

	31 December 2023	31 December 2022	1 January 2022
Cash equivalents	592,869	308,673	287,398
Loans to banks	141,979	63,557	28,107
Loans to customers	1,150,200	959,544	715,180
Investment securities	62,212	49,962	36,578
Derivative financial assets	3,825	2,945	1,961
Other financial assets	16,297	14,836	8,054
Commitments on loans and unused credit lines	13,205	19,067	15,068
Guarantees issued and similar commitments	72,293	42,598	20,298

Geographical concentration. The geographical concentration of the Bank'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	299,150	293,381	338	592,869
Loans to banks	135,845	6,134	-	141,979
Loans to customers	1,150,200	-	-	1,150,200
Investment securities	62,187	25	-	62,212
Other financial assets	16,297	-	-	16,297
Total non-derivative financial assets	1,663,679	299,540	338	1,963,557
Non-derivative financial liabilities:				
Amounts due to credit institutions	3,041	1,968	-	5,009
Current accounts and deposits from customers	1,394,752	6,566	74,133	1,475,451
Issued bonds	35,719	-	-	35,719
Subordinated borrowings	-	29,899	-	29,899
Other borrowed funds	181,113	141,706	-	322,819
Lease liabilities	3,855	-	-	3,855
Other financial liabilities	8,960	-	-	8,960
Total non-derivative financial liabilities	1,627,440	180,139	74,133	1,881,712
Net position	36,239	119,401	(73,795)	81,845

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 Risk Management Policies (Continued)**

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2022 is set out below:

	The Republic of Azerbaijan	OECD countries	Other non-OECD countries	Total
31 December 2022				
Non-derivative financial assets:				
Cash and cash equivalents	304,293	2,421	1,959	308,673
Loans to banks	53,977	9,580	-	63,557
Loans to customers	959,544	-	-	959,544
Investment securities	49,938	24	-	49,962
Other financial assets	14,836	-	-	14,836
Total non-derivative financial assets	1,382,588	12,025	1,959	1,396,572
Non-derivative financial liabilities:				
Amounts due to credit institutions	7,870	-	-	7,870
Current accounts and deposits from customers	927,936	3,943	70,397	1,002,276
Issued bonds	45,758	-	-	45,758
Subordinated borrowings	-	26,072	-	26,072
Other borrowed funds	154,944	90,969	-	245,913
Lease liabilities	3,742	-	-	3,742
Other financial liabilities	5,071	-	-	5,071
Total non-derivative financial liabilities	1,145,321	120,984	70,397	1,336,702
Net position	237,267	(108,959)	(68,438)	59,870

The geographical concentration of the Bank's financial assets and liabilities at 1 January 2022 is set out below:

	The Republic of Azerbaijan	OECD countries	Other non-OECD countries	Total
1 January 2022				
Non-derivative financial assets:				
Cash and cash equivalents	283,929	3,160	309	287,398
Loans to banks	14,541	13,566	-	28,107
Loans to customers	715,180	-	-	715,180
Investment securities	36,578	-	-	36,578
Other financial assets	8,054	-	-	8,054
Total non-derivative financial assets	1,058,282	16,726	309	1,075,317
Non-derivative financial liabilities:				
Amounts due to credit institutions	1,180	-	-	1,180
Current accounts and deposits from customers	802,136	4,516	18,827	825,479
Issued bonds	10,038	-	-	10,038
Subordinated borrowings	-	20,646	-	20,646
Other borrowed funds	135,803	18,727	19,994	174,524
Lease liabilities	3,138	-	-	3,138
Other financial liabilities	4,210	-	-	4,210
Total non-derivative financial liabilities	956,505	43,889	38,821	1,039,215
Net position	101,777	(27,163)	(38,512)	36,102

32 Risk Management Policies (Continued)**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.

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 2023, 31 December 2022 and 1 January 2022 is disclosed in each relevant note for the following lines:

Financial statement line item	Notes
Cash and cash equivalents (excluding cash on hand)	15
Loans to banks	16
Loans to customers	17
Investment securities	18
Other financial assets	21

32 Risk Management Policies (Continued)

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 Bank 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 Bank'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 Bank 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 2023 and 2022, the Bank 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 Bank 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 Bank 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 MOBs (months on book) where number of unique facilities was smaller than 100 – i.e., baseline hazard estimates obtained for MOBs greater than this cut-off point were considered as highly biased;
- Loss Given Default was estimated based on ten years' experience.

32 Risk Management Policies (Continued)

Generating the term structure of PD

The Bank 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.

Determining whether credit risk has increased significantly.

The Bank 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 Bank'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 Bank 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 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 Bank 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 Bank 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 Bank.
- exposure is subject to restructuring; or
- in bankruptcy

In assessing whether a borrower is in default, the Bank 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 Bank; 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.

32 Risk Management Policies (Continued)

Incorporation of forward-looking information

The Bank 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.

In oil price, baseline, optimistic and pessimistic scenarios are multiplied with 0.5, 0.25, 0.25 weights, respectively. The reason for choosing these weights is that global oil prices hugely suffered from historical negative shocks in the beginning of 2020 while the prices stabilized after the second quarter.

In the case of home price, baseline, optimistic and pessimistic scenarios are multiplied with 0.5, 0.35, 0.15 weights respectively. Unlike oil price, home price is not severely affected by pandemic, and it has an overall upward bias. It is expected that budget revenues as well as expenses will increase gradually in the upcoming years (mainly due to high oil prices and reconstructions going in Karabakh). Thus, optimistic and pessimistic scenarios are multiplied with equal weights.

Finally, NEER turned out to be the main macro variable which appeared to be statistically significant in all models. For baseline, optimistic and pessimistic scenarios the Bank applies 0.4, 0.4 and 0.2 weights. Analysis of historical behaviour of this macro variable (NEER) leads to a conclusion that it is a very stable index – the volatility is limited and the only significant deviation from this pattern was observed in 2015 as a result of devaluation of Azerbaijan Manat. Due to the fact that it was a political decision of the authorities, it is assumed that nominal effective exchange rate will continue to follow flat trend. Therefore, for the purpose of ECL calculation the value of the macro variable was constant for the base scenario and equal to the value observed at ECL calculation date. Two remaining scenarios (optimistic and pessimistic) were obtained as an upside and downside divergence from the base scenario depending on historical standard deviation and average as well as on time that passes from the calculation date.

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past ten years.

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.

32 Risk Management Policies (Continued)

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 Bank renegotiates loans to customers in financial difficulties (referred to as ‘forbearance activities’) to maximise collection opportunities and minimise the risk of default. Under the Bank’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.

For financial assets modified as part of the Bank’s forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank’s ability to collect interest and principal and the Bank’s previous experience of similar forbearance action. As part of this process, the Bank 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 Bank 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 2023. 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 Bank estimated remaining recovery for unfinished defaults based on closed cases. Generally, recovery rates depending on MID (month in default) were properly calculated.

32 Risk Management Policies (Continued)

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 Bank 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 Bank 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	

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 Bank 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.

Exposure		External benchmarks used	
		PD	LGD
Cash and cash equivalents	529,692	Moody's default study	S&P recovery studies
Loans to banks	141,979	Moody's default study	S&P recovery studies
Investment securities	62,212	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 separate statement of financial position.

31 December 2023

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Net amount of financial assets/liabilities presented in the separate statement of financial position	Related amounts not offset in the separate statement of financial position		Net amount
			Financial instruments	Cash collateral received	
Loans to customers	62,013	62,013	-	62,013	-
Total financial assets	62,013	62,013	-	62,013	-
Current accounts and deposits from customers	(38,085)	(38,085)	62,013	-	23,928
Total financial liabilities	(38,085)	(38,085)	62,013	-	23,928

32 Risk Management Policies (Continued)

31 December 2022

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Net amount of financial assets/liabilities presented in the separate statement of financial position	Related amounts not offset in the statement of financial position		Net amount
			Financial instruments	Cash collateral received	
Loans to customers	46,537	46,537	-	46,537	-
Total financial assets	46,537	46,537	-	46,537	-
Current accounts and deposits from customers	(83,536)	(83,536)	46,537	-	(36,999)
Total financial liabilities	(83,536)	(83,536)	46,537	--	(36,999)

1 January 2022

Types of financial assets/liabilities	Gross amounts of recognised financial asset/liability	Net amount of financial assets/liabilities presented in the separate statement of financial position	Related amounts not offset in the statement of financial position		Net amount
			Financial instruments	Cash collateral received	
Loans to customers	36,527	36,527	-	36,527	-
Total financial assets	36,527	36,527	-	36,527	-
Current accounts and deposits from customers	(45,196)	(45,196)	36,527	-	(8,669)
Total financial liabilities	(45,196)	(45,196)	36,527	--	(8,669)

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 Bank 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 Bank 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 Bank 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.

32 Risk Management Policies (Continued)

The liquidity management policy requires:

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

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank 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 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 Bank'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 Bank 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 Bank. Overdue interest of loans to customers is included in category 1 year to 5 years in the table below.

Bank Respublika OJSC

Notes to the Separate Financial Statements - 31 December 2023

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

32 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
Loans to banks	4.81%	126	13	1,045	1,036	10	-	2,230
Loans to customers	5-7% (USD) 14-21% (AZN)	63,003	111,562	443,454	466,547	65,634	-	1,150,200
Investment securities	6.18%	4,156	14,731	8,746	33,804	-	-	61,437
Total fixed interest-bearing financial assets		148,722	126,306	453,245	501,387	65,644	-	1,295,304
Non-interest-bearing financial assets								
Cash and cash equivalents		511,432	-	-	-	-	-	511,432
Loans to banks		139,730	19	-	-	-	-	139,749
Investment securities		-	-	-	-	-	775	775
Other financial assets		-	16,297	-	-	-	-	16,297
Total non-interest-bearing financial assets		651,162	16,316	-	-	-	775	668,253
Total non-derivative financial assets		799,884	142,622	453,245	501,387	65,644	775	1,963,557
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	7.25%	874	-	1,200	-	-	-	2,074
Current accounts and deposits from customers	7.11%	47,017	147,105	346,921	79,475	10,800	-	631,318
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%	139	279	1,254	2,183	-	-	3,855
Total fixed interest-bearing financial liabilities		71,958	169,406	443,030	237,654	73,737	-	995,785
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 Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)*

	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
Current accounts and deposits from customers		227,204	-	400,131	216,798	-	-	844,133
Other financial liabilities		8,960	-	-	-	-	-	8,960
Total non-interest-bearing financial liabilities		239,099	-	400,131	216,798	-	-	856,028
Total non-derivative financial liabilities		311,757	169,406	843,161	454,452	102,936	-	1,881,712
The effect of derivatives								
- inflow		-	10,000	20,000	84,139	-	-	-
- outflow		(2,073)	(10,824)	(24,469)	(93,016)	-	-	-
Net effect of derivatives		(2,073)	(824)	(4,469)	(8,877)	-	-	-
Liquidity gap		486,054	(27,608)	(394,385)	38,058	(37,292)	-	-
Cumulative liquidity gap		486,054	458,446	64,061	102,119	64,827	-	-
Interest sensitivity gap		76,064	(43,100)	10,215	263,733	(37,292)	-	-
Cumulative interest sensitivity gap		76,064	32,964	43,179	306,912	269,620	-	-

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 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 2022								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents		35,239	4,454	-	-	-	-	39,693
Loans to banks	5.88%	530	1,059	3,001	7,316	3,698	-	15,604
Loans to customers	16.56%	54,989	85,514	374,497	391,061	53,483	-	959,544
Investment securities	4.77%	359	-	14,258	34,571	-	-	49,188
Total fixed interest-bearing financial assets		91,117	91,027	391,756	432,948	57,181	-	1,064,029
Non-interest-bearing financial assets								
Cash and cash equivalents		268,980	-	-	-	-	-	268,980
Loans to banks		44,987	1,246	1,314	406	-	-	47,953
Investment securities		-	-	-	-	-	774	774
Other financial assets		-	14,836	-	-	-	-	14,836
Total non-interest-bearing financial assets		313,967	16,082	1,314	406	-	774	332,543
Total non-derivative financial assets		405,084	107,109	393,070	433,354	57,181	774	1,396,572
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	7.16%	690	1,485	3,363	236	-	-	5,774
Current accounts and deposits from customers	6.8%	32,820	96,849	250,151	122,853	13,325	-	515,998
Issued bonds	8.5%	-	496	10,262	35,000	-	-	45,758
Other borrowed funds	5.11%	4,848	6,638	60,007	121,224	53,196	-	245,913
Lease liabilities	8.75%	123	247	1,110	2,262	-	-	3,742
Total fixed interest-bearing financial liabilities		38,481	105,715	324,893	281,575	66,521	-	817,185
Variable interest rate instruments								
Subordinated borrowings	10.19%	572	-	-	-	25,500	-	26,072
Total variable interest-bearing financial liabilities		572	-	-	-	25,500	-	26,072

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 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		2,096	-	-	-	-	-	2,096
Current accounts and deposits from customers		336,278	-	25,000	100,000	25,000	-	486,278
Other financial liabilities		5,071	-	-	-	-	-	5,071
Total non-interest-bearing financial liabilities		343,445	-	25,000	100,000	25,000	-	493,445
Total non-derivative financial liabilities		382,498	105,715	349,893	381,575	117,021	-	1,336,702
The effect of derivatives								
- inflow		144	14	48,778	75,099	-	-	
- outflow		(1,193)	(1,186)	(53,845)	(79,724)	-	-	
Net effect of derivatives		(1,049)	(1,172)	(5,067)	(4,625)	-	-	
Liquidity gap		21,537	223	38,110	47,147	(59,840)	-	
Cumulative liquidity gap		21,537	21,760	59,870	107,017	47,177	-	
Interest sensitivity gap		52,064	(14,688)	66,863	151,366	(34,840)	-	
Cumulative interest sensitivity gap		52,064	37,376	104,239	255,605	220,765	-	

Bank Respublika OJSC

Notes to the Separate Financial Statements - 31 December 2023

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

32 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
1 January 2022								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents		4,180	-	-	-	-	-	4,180
Loans to banks	3.23%	-	1	2,510	14,514	-	-	17,025
Loans to customers	14.66%	34,105	58,385	260,927	315,898	45,865	-	715,180
Investment securities	5.01%	69	-	1,163	34,571	-	-	35,803
Total fixed interest-bearing financial assets		38,354	58,386	264,600	364,983	45,865	-	772,188
Non-interest-bearing financial assets								
Cash and cash equivalents		283,218	-	-	-	-	-	283,218
Loans to banks		6,020	-	1,271	3,791	-	-	11,082
Investment securities		-	-	-	-	-	775	775
Other financial assets		-	8,054	-	-	-	-	8,054
Total non-interest-bearing financial assets		289,238	8,054	1,271	3,791	-	775	303,129
Total non-derivative financial assets		327,592	66,440	265,871	368,774	45,865	775	1,075,317
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	7.50%	-	128	-	-	-	-	128
Current accounts and deposits from customers	6.24%	20,871	77,651	213,289	88,014	94	-	399,919
Issued bonds	8.50%	-	-	38	10,000	-	-	10,038
Other borrowed funds	3.81%	1,271	1,020	16,858	42,838	112,537	-	174,524
Lease liabilities	6.70%-8.73%	68	137	614	2,269	50	-	3,138
Total fixed interest-bearing financial liabilities	6.66%	22,210	78,036	230,780	143,121	112,681	-	587,728
Variable interest rate instruments								
Subordinated borrowings	7.50%	-	-	246	-	20,400	-	20,646
Total variable interest-bearing financial liabilities		-	-	246	-	20,400	-	20,646

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 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		1,052	-	-	-	-	-	1,052
Current accounts and deposits from customers		425,579	-	-	-	-	-	425,579
Other financial liabilities		4,210	-	-	-	-	-	4,210
Total non-interest-bearing financial liabilities		430,841	-	-	-	-	-	430,841
Total non-derivative financial liabilities		453,051	78,936	231,026	143,121	133,081	-	1,039,215
The effect of derivatives								
- inflow		17	30,018	31,809	58,561			
- outflow		(1,208)	(31,381)	(36,813)	(62,877)			
Net effect of derivatives		(1,191)	(1,363)	(5,004)	(4,316)			
Liquidity gap		(126,653)	(13,836)	29,822	221,335	(87,216)		
Cumulative liquidity gap		(126,653)	(140,489)	(110,667)	110,668	23,452		
Interest sensitivity gap		16,144	(20,527)	33,555	221,860	(87,216)		
Cumulative interest sensitivity gap		16,144	(4,383)	29,172	251,032	163,816		

32 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 Bank 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 Bank indicates that these customer accounts provide a long-term and stable source of funding for the Bank.

The following tables detail the Bank's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Bank can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 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
Loans to banks	135	31	1,124	1,100	-	-	2,390	2,230
Loans to customers	70,964	141,990	542,253	558,278	112,691	-	1,426,176	1,150,200
Investment securities	3,310	16,162	10,424	34,660	-	-	64,556	61,437
Total fixed interest-bearing financial assets	155,846	158,183	553,801	594,038	112,691		1,574,559	1,295,304
Non-interest-bearing financial assets								
Cash and cash equivalents	511,432	-	-	-	-	-	511,432	511,432
Loans to banks	139,730	19	-	-	-	-	139,749	139,749
Investment securities	-	-	-	-	-	775	775	775
Other financial assets	-	16,297	-	-	-	-	16,297	16,297
Total non-interest-bearing financial assets	651,162	16,316	-	-	-	775	668,253	668,253
Total non-derivative financial assets	807,008	174,499	553,801	594,038	112,691	775	2,242,812	1,963,557

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 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
Current accounts and deposits from customers	48,677	150,568	360,587	89,490	10,800	-	660,122	631,318
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	135	271	1,219	2,023	-	-	3,648	3,855
Total fixed interest-bearing financial liabilities	70,992	175,740	468,304	269,456	93,012	-	1,077,504	995,785
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
Current accounts and deposits from customers	844,133	-	-	-	-	-	844,133	844,133
Other financial liabilities	8,960	-	-	-	-	-	8,960	8,960
Guarantees issued and similar commitments	72,293	-	-	-	-	-	72,293	72,293
Commitments on loans and unused credit lines	13,205	-	-	-	-	-	13,205	13,205
Total non-interest-bearing financial liabilities and commitments	941,526	-	-	-	-	-	941,526	941,526
Total financial liabilities and commitments	1,012,778	176,261	470,648	281,957	122,189	-	2,063,833	1,967,210
The effect of derivatives held for risk management								
- inflow	-	10,000	20,000	84,139	-	-	-	-
- outflow	(2,073)	(10,824)	(24,469)	(93,016)	-	-	-	-
Net effect of derivatives held for risk management purposes	(2,073)	(824)	(4,469)	(8,877)	-	-	-	-
Liquidity gap	(207,843)	(2,586)	78,684	303,204	(9,498)	-	-	-
Cumulative liquidity gap	(207,843)	(210,429)	(131,745)	171,459	161,961	-	-	-

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 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 2022								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents	35,283	4,477	-	-	-	-	39,760	39,693
Loans to banks	586	1,171	3,481	9,093	7,521	-	21,852	15,604
Loans to customers	59,857	106,245	446,761	480,945	84,099	-	1,177,907	959,544
Investment securities	195	390	16,002	37,160	-	-	53,747	49,188
Total fixed interest-bearing financial assets	95,921	112,283	466,244	527,198	91,620		1,293,266	1,064,029
Non-interest-bearing financial assets								
Cash and cash equivalents	268,980	-	-	-	-	-	268,980	268,980
Loans to banks	44,987	1,246	1,314	406	-	-	47,953	47,953
Investment securities	-	-	-	-	-	774	774	774
Other financial assets	-	14,836	-	-	-	-	14,836	14,836
Total non-interest-bearing financial assets	313,967	16,082	1,314	406	-	774	332,543	332,543
Total non-derivative financial assets	409,888	128,365	467,558	527,604	91,620	774	1,625,809	1,396,572

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 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	1,362	2,830	7,967	4,305	-	-	16,464	5,774
Current accounts and deposits from customers	34,199	99,751	261,296	128,754	13,621	-	537,621	515,998
Issued bonds	-	-	13,825	36,488	-	-	50,313	45,758
Other borrowed funds	72,857	4,897	41,586	87,458	68,648	-	275,446	245,913
Lease liabilities	150	299	1,299	2,725	-	-	4,473	3,742
Total fixed interest-bearing financial liabilities	108,568	107,777	325,973	259,730	82,269	-	884,317	817,185
Variable interest rate instruments								
Subordinated borrowings	26,072	-	-	-	-	-	26,072	26,072
Total variable interest-bearing financial liabilities	26,072	-	-	-	-	-	26,072	26,072
Non-interest-bearing instruments								
Amounts due to credit institutions	2,096	-	-	-	-	-	2,096	2,096
Current accounts and deposits from customers	486,278	-	-	-	-	-	486,278	486,278
Other financial liabilities	5,071	-	-	-	-	-	5,071	5,071
Guarantees issued and similar commitments	42,598	-	-	-	-	-	42,598	42,598
Commitments on loans and unused credit lines	19,067	-	-	-	-	-	19,067	19,067
Total non-interest-bearing financial liabilities and commitments	555,110	-	-	-	-	-	555,110	555,110
Total financial liabilities and commitments	689,750	107,777	325,973	259,730	82,269	-	1,465,499	1,398,367
The effect of derivatives held for risk management								
- inflow	144	14	48,778	75,099	-	-	-	-
- outflow	(1,193)	(1,186)	(53,845)	(79,724)	-	-	-	-
Net effect of derivatives held for risk management purposes	(1,049)	(1,172)	(5,067)	(4,625)				
Liquidity gap	(280,911)	19,416	136,518	263,249	9,351	-	-	-
Cumulative liquidity gap	(280,911)	(261,495)	(124,977)	138,272	147,623			

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 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
1 January 2022								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents	4,180	-	-	-	-	-	4,180	4,180
Loans to banks	-	1	2,510	17,064	-	-	19,575	17,025
Loans to customers	37,791	74,966	313,945	366,335	70,828	-	863,865	715,180
Investment securities	150	300	2,532	38,902	-	-	41,884	35,803
Total fixed interest-bearing financial assets	42,121	75,267	318,987	422,301	70,828	-	929,504	772,188
Non-interest-bearing financial assets								
Cash and cash equivalents	283,218	-	-	-	-	-	283,218	283,218
Loans to banks	6,020	-	1,271	3,791	-	-	11,082	11,082
Investment securities	-	-	-	-	-	775	775	775
Other financial assets	-	8,054	-	-	-	-	8,054	8,054
Total non-interest-bearing financial assets	289,238	8,054	1,271	3,791	-	775	303,129	303,129
Total non-derivative financial assets	331,359	83,321	320,258	426,092	70,828	775	1,232,633	1,075,317

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 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	-	128	-	-	-	-	128	128
Current accounts and deposits from customers	21,485	80,253	228,310	90,451	169	-	420,668	399,919
Issued bonds	-	-	850	10,850	-	-	11,700	10,038
Other borrowed funds	-	-	24,723	55,993	136,626	-	217,342	174,524
Lease liabilities	99	197	859	1,784	239	-	3,178	3,138
Total fixed interest-bearing financial liabilities	21,584	80,578	254,742	159,078	137,034	-	653,016	587,728
Variable interest rate instruments								
Subordinated borrowings	129	258	1,158	6,179	24,729	-	32,453	20,646
Total variable interest-bearing financial liabilities	129	258	1,158	6,179	24,729	-	32,453	20,646
Non-interest-bearing instruments								
Amounts due to credit institutions	1,052	-	-	-	-	-	1,052	1,052
Current accounts and deposits from customers	425,579	-	-	-	-	-	425,579	425,579
Other financial liabilities	4,210	-	-	-	-	-	4,210	4,210
Guarantees issued and similar commitments	20,298	-	-	-	-	-	20,298	20,298
Commitments on loans and unused credit lines	15,068	-	-	-	-	-	15,068	15,068
Total non-interest-bearing financial liabilities and commitments	466,207	-	-	-	-	-	466,207	466,207
Total financial liabilities and commitments	487,920	80,836	255,900	165,257	161,763	-	1,151,676	1,074,581
The effect of derivatives held for risk management								
- inflow	17	30,018	31,809	58,561	-	-	-	-
- outflow	(1,208)	(31,381)	(36,813)	(62,877)	-	-	-	-
Net effect of derivatives held for risk management purposes	(1,191)	(1,363)	(5,004)	(4,316)	-	-	-	-
Liquidity gap	(157,754)	1,142	59,354	256,520	(90,935)	-	-	-
Cumulative liquidity gap	(157,754)	(156,612)	(97,258)	159,262	68,327	-	-	-

32 Risk Management Policies (Continued)

As of December 31, 2023, the Bank was in breach of certain covenants as detailed in Note 34 and related waivers were obtained before 31 December 2023.

However, the Bank 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 financial statements of the Bank 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 Bank 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 Bank 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 Bank'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 Bank is exposed to. There have been no changes as to the way the Bank 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 Bank is constantly monitoring interest rate gap. As of 31 December 2023, and 31 December 2022, the Bank 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 23, 25, 26, 27 and 28.

(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 Bank 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 Bank an opportunity to minimize losses from significant currency rates fluctuations towards its national currency. The Treasury Department performs daily monitoring of the Bank'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 Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 Risk Management Policies (Continued)**

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

	AZN	USD	EUR	Other currencies	Total
ASSETS					
Cash and cash equivalents	115,159	440,838	30,860	6,012	592,869
Loans to banks	62,988	78,428	563	-	141,979
Loans to customers	1,043,174	106,356	670	-	1,150,200
Investment securities	26,858	34,579	-	-	61,437
Other financial assets	9,325	4,914	1,222	836	16,297
Total assets	1,257,504	665,115	33,315	6,848	1,962,782
LIABILITIES					
Amounts due to credit institutions	1,512	3,452	45	-	5,009
Current accounts and deposits from customers	731,567	703,921	32,939	7,024	1,475,451
Issued bonds	35,719	-	-	-	35,719
Subordinated borrowings	-	29,899	-	-	29,899
Other borrowed funds	292,686	30,133	-	-	322,819
Lease liabilities	3,855	-	-	-	3,855
Other financial liabilities	5,230	3,057	555	118	8,960
Total liabilities	1,070,569	770,462	33,539	7,142	1,881,712
Net position	186,935	(105,347)	(224)	(294)	81,070
The effect of derivatives held for risk management	(114,139)	114,139	-	-	-
Net position after derivatives held for risk management purposes	72,796	8,792	(224)	(294)	81,070

The following table shows the foreign currency exposure structure of financial assets and financial liabilities as at 31 December 2022. The Bank hedges currency risk position based on regulatory reporting:

	AZN	USD	EUR	Other currencies	Total
ASSETS					
Cash and cash equivalents	86,555	196,138	22,041	3,939	308,673
Loans to banks	19,431	43,609	517	-	63,557
Loans to customers	872,518	85,732	1,294	-	959,544
Investment securities	14,612	34,576	-	-	49,188
Other financial assets	10,005	3,995	179	657	14,836
Total assets	1,003,121	364,050	24,031	4,596	1,395,798
LIABILITIES					
Amounts due to credit institutions	7,651	156	63	-	7,870
Current accounts and deposits from customers	526,945	437,115	33,472	4,744	1,002,276
Issued bonds	45,758	-	-	-	45,758
Subordinated borrowings	-	26,072	-	-	26,072
Other borrowed funds	245,913	-	-	-	245,913
Lease liabilities	3,742	-	-	-	3,742
Other financial liabilities	1,205	2,151	1,453	262	5,071
Total liabilities	831,214	465,494	34,988	5,006	1,336,702
Net position	171,907	(101,444)	(10,957)	(410)	59,096
The effect of derivatives held for risk management	(123,539)	113,539	10,000	-	-
Net position after derivatives held for risk management purposes	48,368	12,095	(957)	(410)	59,096

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 Risk Management Policies (Continued)**

The following table shows the foreign currency exposure structure of financial assets and financial liabilities as at 1 January 2022. The Bank hedges currency risk position based on regulatory reporting:

	AZN	USD	EUR	Other currencies	Total
ASSETS					
Cash and cash equivalents	76,629	187,678	21,029	2,062	287,398
Loans to banks	4,292	23,237	578	-	28,107
Loans to customers	644,018	70,626	536	-	715,180
Investment securities	1,223	34,580	-	-	35,803
Other financial assets	6,906	458	358	332	8,054
Total assets	733,068	316,579	22,501	2,394	1,074,542
LIABILITIES					
Amounts due to credit institutions	986	177	16	1	1,180
Current accounts and deposits from customers	392,777	409,440	22,088	1,174	825,479
Issued bonds	10,038	-	-	-	10,038
Subordinated borrowings	-	20,646	-	-	20,646
Other borrowed funds	174,524	-	-	-	174,524
Lease liabilities	3,138	-	-	-	3,138
Other financial liabilities	2,028	1,762	407	13	4,210
Total liabilities	583,491	432,025	22,511	1,188	1,039,215
Net position	149,577	(115,446)	(10)	1,206	35,327
The effect of derivatives held for risk management	(120,000)	120,000	-	-	-
Net position after derivatives held for risk management purposes	29,577	4,554	(10)	1,206	35,327

Currency risk sensitivity analysis

A weakening of AZN, as indicated below, against the following currencies at 31 December 2023, 31 December 2022 and 1 January 2022, 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 Bank 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.

	2023	2022	2021
30% (2022 & 2021: 30%) appreciation of USD against AZN	2,638	3,629	1,366
30% (2022 & 2021: 30%) appreciation of EUR against AZN	(67)	(287)	(3)

A strengthening of AZN against the above currencies at 31 December 2023, 31 December 2022 and 1 January 2022 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.

32 Risk Management Policies (Continued)

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 Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank'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 separate 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 Bank'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.

33. 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 capital are (i) to comply with the capital requirements set by the CBAR; and (ii) to safeguard the Bank's ability to continue as a going concern.

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 2022: 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 10% (31 December 2022: 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 5% (31 December 2022: 5%).

33 Capital Risk Management (Continued)

As at 31 December 2023, 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 37.48% (2022: 48.83%), whereas the ratio should not exceed 10%, and "total unsecured and secured loan ratio", which was 37.48% (2022: 48.83%), whereas the ratio should not exceed 25%. 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 Bank in accordance with the prudential regulations set by the CBAR was as follows:

	31 December 2023	31 December 2022
Total statutory capital	165,910	127,468
Risk-weighted assets	1,389,718	1,070,581
Capital adequacy ratio (%)	11.94%	11.91%

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.

34. Commitments and Contingencies

In the normal course of business, the Bank 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 separate statement of financial position.

The Bank 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 2023 and 2022, credit-related commitments comprise:

	31 December 2023	31 December 2022	1 January 2022
Credit-related commitments			
Commitments on loans and unused credit lines	13,205	19,067	15,068
Guarantees issued and similar commitments	72,293	42,598	20,298
Total credit-related commitments, gross	85,498	61,665	35,366
Less: provisions for credit related commitments	(272)	(136)	(110)
Total credit related commitments, net of provision	85,226	61,529	35,256

Legal proceedings

In the ordinary course of business, the Bank 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.

34 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 Bank'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 Bank's operations. The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, the Bank policy requires compliance with all applicable legal and regulatory requirements.

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

Compliance with covenants

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

As at 31 December 2023 the Bank was in breach of certain covenant with three financing arrangements with outstanding balances amounting to AZN 72,687 thousand, for which waivers were obtained before 31 December 2023 (31 December 2022: the Bank was in breach of certain covenants under three financing agreements with outstanding balances amounting to AZN 71,744 thousand and relevant waiver letters were obtained after the reporting period. Therefore, such balances were included as "payable on demand" as at 31 December 2022).

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***35. Related Party Transactions**

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:

	Shareholders		Entities under common control		Key management personnel of the Bank		Total amount
	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	
Separate Statement of financial position							
ASSETS							
Loans to customers							
Gross balance	-	-	3,658	6.7% FCY	1,598	10.4% LCY	5,256
Loss allowance	-	-	(7)	-	(9)	-	(16)
LIABILITIES							
Current accounts and deposits from customers	129	-	4,370	9%	1,696	9.1% LCY 2.9% FCY	6,195
Items not recognised in the separate statement of financial position							
Guarantees given (expires in 3 months)	-	-	4	-	-	-	4
Commitments on loans and unused credit lines	-	-	595	-	93	-	688
Profit / (loss)							
Interest income	16	-	144	-	99	-	259
Interest expense	-	-	(199)	-	(19)	-	(218)
Fee and commission expense	(2)	-	(1)	-	(21)	-	(24)
Recovery of impairment/(Impairment losses)	9	-	96	-	(3)	-	102
Operating expenses	-	-	-	-	(3,955)	-	(3,955)

Shareholders with more than 20% ownership of the Bank's shares 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 Separate Financial Statements - 31 December 2023***(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 2022 and related profit or loss amounts of transactions for the year ended 31 December 2022 with related parties are as follows:

	Share- holders	Entities under common control		Key management personnel of the Bank		Total amount	
	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	Amount		Average effective interest rate, %
Separate Statement of financial position							
ASSETS							
Loans to customers							
	948	13%	3,650	13.9% LCY 5.2% FCY	490	8.4%	5,088
Gross balance							
Loss allowance	(9)	-	(103)	-	(6)	-	(118)
LIABILITIES							
Current accounts and deposits from customers	25	-	3,714	9%	832	9.3% LCY 2% FCY	4,571
Items not recognised in the separate statement of financial position							
Guarantees given (expires in 3 months)	-	-	52	-	-	-	52
Commitments on loans and unused credit lines	-	-	1,802	-	2	-	1,804
Profit (loss)							
Interest income	125	-	119	-	22	-	266
Interest expense	-	-	(1)	-	(12)	-	(13)
Fee and commission expense	-	-	-	-	3	-	3
Impairment losses	(9)	-	53	-	(1)	-	43
Operating expenses	-	-	-	-	(2,910)	-	(2,910)

35 Related Party Transactions (Continued)

The outstanding balances and the related average effective interest rates as at 1 January 2022 and related profit or loss amounts of transactions for the year ended 1 January 2022 with related parties are as follows:

	Entities under common control		Key management personnel of the Group		Total amount
	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	
Separate statement of financial position					
ASSETS					
Loans to customers					
Principal balance	5,432	5%	511	10%	5,943
Loss allowance	(155)		(5)		(160)
LIABILITIES					
Current accounts and deposits from customers	4,417	7%	1,392	1%	5,809
Items not recognised in the separate statement of financial position					
Guarantees given (expires in 3 months)	191		-		191
Commitments on loans and unused credit lines	1,660		-		1,660
Profit (loss)					
Interest income	343		36		379
Interest expense	(194)		(16)		(210)
Fee and commission expense	-		-		-
Impairment losses	132		(5)		127
Operating expenses	-		(1,674)		(1,674)

Total remuneration included in personnel expenses for the years ended 31 December 2023, 2022 and 1 January 2022 is as follows:

	2023	2022	2021
Short-term employee benefits	3,424	2,732	1,554
Pension and other contributions	531	178	120
	3,955	2,910	1,674

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 Bank's financial assets and financial liabilities measured at fair value on a recurring basis.

The Bank 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 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 separate statement of financial position:

	Level 1	Level 3	Total
Investment securities designated as at FVOCI - equity instruments	-	775	775
Derivative assets	-	3,825	3,825
Derivative liabilities	-	(2,943)	(2,943)

The table below analyses financial instruments measured at fair value at 31 December 2022, 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 separate statement of financial position:

	Level 1	Level 3	Total
Investment securities designated as at FVOCI - equity instruments	-	774	774
Derivative assets	-	2,945	2,945
Derivative liabilities	-	(2,102)	(2,102)

The table below analyses financial instruments measured at fair value at 1 January 2022, 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 separate statement of financial position:

	Level 1	Level 3	Total
Investment securities designated as at FVOCI - equity instruments	-	775	775
Derivative assets	-	1,961	1,961
Derivative liabilities	-	(1,157)	(1,157)

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 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)	774	1,617
Gains or losses recognised in profit or loss for the year	880	(841)	-	39
Effect of changes in exchange rates			1	1
Balance at end of the year	3,825	(2,943)	775	1,657

The following table shows a reconciliation for the year ended 31 December 2022 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	1,961	(1,157)	775	1,579
Gains or losses recognised in profit or loss for the year	984	(945)	-	39
Effect of changes in exchange rates	-	-	(1)	(1)
Balance at end of the year	2,945	(2,102)	774	1,617

The following table shows a reconciliation for the date 1 January 2022 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	2,377	(313)	775	2,839
Gains or losses recognised in profit or loss for the year	(416)	(844)	-	(1,260)
Effect of changes in exchange rates	-	-	-	-
Balance at end of the year	1,961	(1,157)	775	1,579

As part of its trading activities, the Bank 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.

Bank Respublika OJSC**Notes to the Separate Financial Statements - 31 December 2023***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***36 Fair Values Disclosures (Continued)**

As at 31 December 2023, to determine the fair value of the swaps, management assumed interest rates within the range of 3.60%-7.83% and 3.77%-5.56% in AZN and USD, respectively (31 December 2022: within the range of 5.84%-8.92% and 1.71%-6.09% in AZN and USD, respectively).

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

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	25,550	34,765	-	60,315	61,437
Loans to banks	-	142,174	-	142,174	141,979
Loans to customers	-	-	1,165,067	1,165,067	1,150,200
LIABILITIES					
Amounts due to credit institutions	-	5,009	-	5,009	5,009
Current accounts and deposits from customers:	-	-	-	1,475,451	1,475,451
- <i>Current accounts and demand deposits</i>	-	844,133	-	844,133	844,133
- <i>Term deposits</i>	-	-	631,318	631,318	631,318
Subordinated borrowings	-	-	31,813	31,813	29,899
Other borrowed funds	-	319,822	-	319,822	322,819

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 2022:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
ASSETS					
Investment securities	14,219	34,776	-	48,995	49,188
Loans to banks	-	63,664	-	63,664	63,557
Loans to customers	-	-	975,576	975,576	959,544
LIABILITIES					
Amounts due to credit institutions	-	7,870	-	7,870	7,870
Current accounts and deposits from customers:	-	-	-	1,002,276	1,002,276
- <i>Current accounts and demand deposits</i>	-	486,278	-	486,278	486,278
- <i>Term deposits</i>	-	-	515,998	515,998	515,998
Subordinated borrowings	-	-	25,900	25,900	26,072
Other borrowed funds	-	223,931	-	223,931	245,913

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 1 January 2022:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
ASSETS					
Investment securities	-	35,957	-	35,957	35,803
Loans to banks	-	29,749	-	29,749	28,107
Loans to customers	-	-	721,640	721,640	715,180
LIABILITIES					
Amounts due to credit institutions	-	1,180	-	1,180	1,180
Current accounts and deposits from customers:	-	-	-	820,465	825,479
- <i>Current accounts and demand deposits</i>	-	425,579	-	425,579	425,579
- <i>Term deposits</i>	-	-	394,886	394,886	399,900
Subordinated borrowings	-	-	22,360	22,360	20,646
Other borrowed funds	-	173,830	-	173,830	174,524

The Bank 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):

- Loans to 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, Bank 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 Bank also benchmarks discount rates to interest rates observable from the published regulatory statistics on loans based on relevant maturity.
- Current accounts and deposits from 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.

36 Fair Values Disclosures (Continued)

As at 31 December 2023, to determine the fair value of financial instruments not measured at fair value, management used interest rates within the range of 15%-19% and 5%-6% in AZN and foreign currencies, respectively for loans to customers (31 December 2022: range of 12%-16% and 4%-6% in AZN and foreign currencies, respectively), and within the range of 6.5%-9.5% and 1%-3% in AZN and foreign currencies, respectively for deposits from customer (31 December 2022: within range of 6%-9% 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 Bank 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 March 4, 2024, the Bank initiated a new loan arrangement with the European Investment Bank, securing a sum of up to EUR 10 million. The loan terms offer flexibility, with two options available: a three-year duration with a lump-sum payment upon maturity, or a four-year duration with a one-year grace period followed by three years of semi-annual amortizing payments, with the possibility of quarterly payments for tranches denominated in USD.

On March 29, 2024, the Bank established a Subordinated Loan agreement with the International Bank of Azerbaijan, securing USD 2 million with a maturity period of seven years. The loan bears a fixed annual interest rate of 9%, payable quarterly.

Dividends. In February 2024 the Bank declared and paid dividends in the amounts of AZN 10,415 thousand.

Increase in loan portfolio. After "Muganbank" OJSC's license was cancelled, ADIF, acting as its liquidator, transferred Muganbank" OJSC's lombard loan portfolio worth AZN 10,421 thousand to Bank Respublika for the same amount plus a 1 percent commission fee.