

“BANK RESPUBLIKA” OJSC

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

30 June 2024

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Independent Auditor's Report

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Independent Auditor's Report of Condensed Consolidated Interim Financial Statements

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

Our opinion

In our opinion, the condensed consolidated interim financial statements of Bank Respublika OJSC (the "Group") are prepared, in all material respects in accordance with International Accounting Standard 34, "Interim Financial Reporting".

What we have audited

The Group's condensed consolidated interim financial statements comprise:

- the condensed consolidated interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2024;
- the condensed consolidated interim statement of financial position as at 30 June 2024;
- the condensed consolidated interim statement of cash flows for the six-month period then ended;
- the condensed consolidated interim statement of changes in equity for the six-month period then ended; and
- the notes to the condensed consolidated interim financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the condensed consolidated interim financial statements section of our report.

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

Independence

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



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

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

In preparing the condensed consolidated interim financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the condensed consolidated interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the condensed consolidated interim financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the condensed consolidated interim financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



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

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

PricewaterhouseCoopers Audit Azerbaijan LLC

Baku, the Republic of Azerbaijan

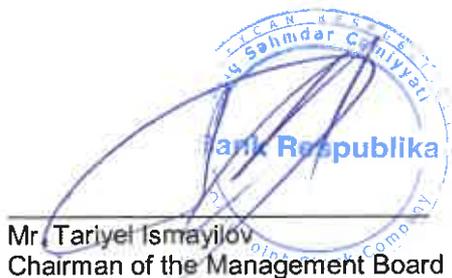
07 September 2024

Bank Respublika OJSC
Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

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

	Note	Six months ended 30 June 2024	Six months ended 30 June 2023
Interest income calculated using the effective interest method	6	107,753	85,356
Interest expense	6	(37,405)	(30,245)
Net interest income before expected credit losses on interest bearing assets		70,348	55,111
Credit loss allowance release/(charge) for assets carried at amortised cost	7	808	(157)
Net interest income		71,156	54,954
Fee and commission income	9	14,140	13,178
Fee and commission expense	10	(11,192)	(11,056)
Net gain on foreign exchange operations	8	4,439	5,372
Losses less gains from financial derivatives	21	(3,277)	(4,379)
Other income	11	563	745
Net non-interest income		4,673	3,860
Operating income from banking activity		75,829	58,814
Non-banking activities			
Revenue from insurance contracts	14	2,150	3,001
Expenses under insurance contracts	14	(1,437)	(2,486)
Expenses under reinsurance contracts held		(230)	(198)
Income from reinsurance contracts held		-	115
Finance expenses from insurance contracts issued		(93)	(113)
Finance income from reinsurance contracts held		10	7
Other income and expenses		120	31
Net insurance result		520	357
Operating expenses	15	(44,772)	(40,091)
Profit before income tax		31,577	19,080
Income tax expense	16	(6,715)	(4,198)
Profit for the period		24,862	14,882
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 period		-	3,049
Total comprehensive income for the period		24,862	17,931
Profit attributable to:			
- Owners of the Group		24,791	14,843
- Non-controlling interests	36	71	39
Profit for the period		24,862	14,882
Total comprehensive income attributable to:			
- Owners of the Group		24,791	17,891
- Non-controlling interests	36	71	39
Total comprehensive income for the period		24,862	17,930
Basic and diluted earnings per share (AZN)		0.82	0.50

The condensed consolidated interim financial statements as set out on pages 5 to 66 were approved by management on 6 September 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
Condensed Consolidated Interim Statement of Financial Position
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

	Note	30 June 2024	31 December 2023
ASSETS			
Cash and cash equivalents	17	612,807	593,360
Amounts due from credit institutions	18	167,598	146,056
Loans to customers	19	1,220,790	1,150,200
Investment securities	20	53,751	63,843
Derivative financial assets	21	3,115	3,825
Property and equipment	22	48,895	48,098
Intangible assets	22	3,944	3,311
Repossessed collateral	25	2,956	2,963
Deferred income tax assets	16	570	1,023
Other financial assets	23	24,144	16,354
Other assets	23	5,860	4,938
Reinsurance contract assets		128	270
Goodwill		467	467
Total assets		2,145,025	2,034,708
LIABILITIES			
Amounts due to credit institutions	24	43,862	5,009
Current accounts and deposits from customers	26	1,517,311	1,472,969
Other borrowed funds	28	360,018	322,819
Lease liabilities	22	4,635	4,232
Derivative financial liabilities	21	2,213	2,943
Other financial liabilities	31	17,930	9,168
Other liabilities	31	14,489	13,154
Current income tax liability		2,445	2,880
Bonds issued	29	-	35,719
Subordinated borrowings	27	33,314	29,899
Insurance contract liabilities	12	1,590	2,559
Deferred income tax liabilities		95	62
Total liabilities		1,997,902	1,901,413
EQUITY			
Share capital	30	73,961	73,961
Revaluation reserve for buildings		10,682	10,682
Retained earnings		61,680	47,304
Insurance finance reserve		2	1
Total equity attributable to owners of the Group		146,325	131,948
Non-controlling interests	36	798	1,347
Total equity		147,123	133,295
Total liabilities and equity		2,145,025	2,034,708


 Mr. Tariyel Ismayilov
 Chairman of the Management Board


 Mr. Javid Rzayev
 Head of Finance Department

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

	Note	30 June 2024	30 June 2023
Cash flows from operating activities			
Interest received		106,640	81,527
Interest paid		(24,846)	(13,558)
Fees and commissions received		14,140	13,178
Fees and commissions paid		(11,192)	(11,056)
Realized gains less losses from exchange transactions in		3,844	4,008
Personnel expenses paid		(20,556)	(19,973)
Administrative expenses paid		(11,059)	(10,840)
Net losses on operations with foreign currency derivatives		(3,297)	(4,456)
Revenue from insurance contract received		2,150	3,001
Expense under held reinsurance contract paid		(1,437)	(198)
Expense under insurance contract paid		(230)	(2,486)
Other operating income received		370	259
Finance expenses from insurance contracts issued		(93)	(113)
Finance income from reinsurance contracts held		10	7
Income tax paid		(6,664)	(11,850)
Income from held reinsurance contract received		-	115
Cash flows from operating activities before changes in operating assets and liabilities		47,780	27,565
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		(21,489)	(16,958)
Loans to customers		(69,961)	(89,681)
Repossessed collateral		7	733
Other assets		(9,559)	(17,392)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to credit institutions		38,729	(496)
Current accounts and deposits from customers		44,900	99,774
Insurance contract liabilities		-	3,148
Other liabilities		(1,212)	(7,774)
Net cash flows from/(used in) operating activities		29,195	(1,081)
Cash flows from investing activities			
Purchase of property and equipment		(1,650)	(2,181)
Acquisition of intangible assets		(979)	(865)
Investment in equity securities at fair value through profit or loss		(620)	(2,468)
Proceeds from disposal of property and equipment		143	162
Purchase of investment securities		(13,633)	(51,825)
Proceeds from sale and redemption of Investment securities		24,308	37,645
Interest income received on investments in debt securities		656	1,455
Net cash used in investing activities		8,225	(18,077)
Cash flows from financing activities			
Proceeds from other borrowed funds	28	110,123	97,661
Repayment of other borrowed funds	28	(73,464)	(42,776)
Interest expense paid on other borrowed funds	28	(9,247)	(5,985)
Proceeds from subordinated borrowings	27	3,400	3,699
Interest expense paid on subordinated borrowings	27	(1,582)	(1,303)
Repayment of principal lease liabilities		(960)	(903)
Redemption of issued bonds		(35,000)	-
Interest expense paid on issued bond	29	(1,488)	(1,913)
Dividends paid	30	(10,415)	(5,997)
Net cash from financing activities		(18,633)	42,483
Net increase in cash and cash equivalents		18,787	23,325
Effect of changes in exchange rates on cash and cash equivalents		660	1,364
Cash and cash equivalents, beginning		593,360	309,036
Cash and cash equivalents, ending	17	612,807	333,725

The accompanying notes on pages 5 to 66 are an integral part of these condensed consolidated interim financial statements

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

	Note	Attributable to owners of the Group				Total	Non-controlling interests	Total equity
		Share capital	Revaluation reserve of buildings	Retained earnings	Insurance finance reserve			
Balance as at 1 January 2023		73,461	7,633	14,529	3	95,626	3,771	99,397
Profit for the period		-	-	14,843	-	14,843	39	14,882
Other comprehensive income		-	-	-	(2)	(2)	-	(2)
Total comprehensive income for the period		-	-	14,843	(2)	14,841	39	14,880
Dividends declared	30	-	-	(5,997)	-	(5,997)	-	(5,997)
Acquisition of non-controlling interest in subsidiaries		-	-	-	-	-	(2,468)	(2,468)
Revaluation of property and equipment, net of deferred tax liabilities	22	-	3,049	-	-	3,049	-	3,049
Balance as at 30 June 2023		73,461	10,682	23,375	1	107,519	1,342	108,861
Balance as at 1 January 2024		73,961	10,682	47,304	1	131,948	1,347	133,295
Profit for the period		-	-	24,791	-	24,791	71	24,862
Other comprehensive income		-	-	-	1	1	-	1
Total comprehensive income for the period		-	-	24,791	1	24,792	71	24,863
Share issue	30	-	-	-	-	-	-	-
Dividend declared	30	-	-	(10,415)	-	(10,415)	-	(10,415)
Acquisition of non-controlling interest in subsidiaries		-	-	-	-	-	(620)	(620)
Balance as at 30 June 2024		73,961	10,682	61,680	2	146,325	798	147,123

The accompanying notes on pages 5 to 66 are an integral part of these condensed consolidated interim financial statements

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024**

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

1. Introduction

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

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

Principal activity. The Bank's principal business activity is commercial and retail banking operations within the Republic of Azerbaijan. The Bank has 33 branches and one service point in Azerbaijan as at 30 June 2024 (31 December 2023: 33 branches and twelve service points).

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

The only subsidiary of the Bank is as follows:

Name	Country of incorporation	Principal activities	Ownership %	
			30 June 2024	31 December 2023
Baki Sigorta OJSC	The Republic of Azerbaijan	Insurance	93.3	79.4

Tural Insurance Open Joint Stock Company was registered on 8 February 1994, subsequently it was renamed to Baki Sigorta Open Joint Stock Company (the Company) which was registered in the Republic of Azerbaijan on 28 August 2007. The principal activity of the Company is non-life insurance services. The Company operates under insurance licenses issued by the Ministry of Finance of the Republic of Azerbaijan dated 12 February 2004. For further information refer to Note 36.

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

As at 30 June 2024 and 31 December 2023, the following shareholders owned issued shares of the Bank:

	30 June 2024, %	31 December 2023, %
Guliyev Natig Saday oglu	63.32	63.32
Guliyev Elchin Saday oglu	18.46	18.46
Guliyev Namig Saday oglu	8.47	8.47
Rahimov Shakir Khayyam oglu	5.45	5.45
SIDT (Sparkassen International Development Trust GmbH)	4.22	4.22
Others	0.08	0.08
Total	100	100

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

2. Operating Environment of the Group

The Republic of Azerbaijan 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 gas prices and stability of Azerbaijani manat.

Azerbaijan's economic growth continues to be driven by the non-oil sector, further solidifying its role as a primary contributor to GDP. As of June 2024, with the non-oil sector making up 65% of the total GDP, the economy grew by 4.3% in real terms, reaching a nominal value of AZN 59.5 billion for the January-June 2024 period compared to the same timeframe the previous year.

In the first half of 2024, annual inflation in Azerbaijan remained below the target range, influenced by both external and internal factors. According to the State Statistical Committee, annual inflation was 1.1% in June 2024, while the average annual inflation for January to June 2024 was 0.7%. Key contributors to the decline in inflation included the stabilization of global commodity prices, a reduction in inflation among trade partners, and a return of international shipping costs to pre-pandemic levels. These factors, along with the Central Bank's anti-inflationary measures and the stability of the nominal effective exchange rate, played a crucial role in reducing inflation.

Despite geopolitical tensions and climate changes, Azerbaijan benefited from a favourable international environment. High global prices for key export products led to better external sector performance and a rise in strategic foreign exchange reserves. As the result of the effective policies implemented by the Azerbaijani government, the Azerbaijani Manat (AZN) remained stable throughout the first half of 2024.

In June 2024, S&P Global Ratings affirmed 'BB+/B' long and short-term foreign and local currency sovereign credit ratings for Azerbaijan. The outlook for the country remains stable, reflecting consistent economic and fiscal policies and a solid external position. The sovereign ratings are supported by Azerbaijan's strong fiscal and external shock positions.

The Banking Sector has proven resilient, with lending activity increasing by 10% from 31 December 2023 to 30 June 2024, thereby supporting economic growth. Consumer and mortgage loans also grew by 9% over the same period.

The continuing impact of the political and economic situation is difficult to foresee, but it could potentially influence Azerbaijan's economy further.

The Bank's Management is closely observing these developments and implementing precautionary measures as needed to ensure the sustainability and growth of the Bank's operations in the foreseeable future.

The Bank's Management is implementing essential measures to ensure the sustainability of its operations and to support its customers and employees. These measures include, for example:

- The bank regularly reviews the processes impacting customers and takes significant steps to optimize them;
- The Bank is consistently expanding its e-banking client base and has had the opportunity to enhance the products and services available through this channel;
- As a result of the actions taken, the bank increased its loan portfolio by 6%, mainly retail loans by 11%, micro loans by 7% and mortgage loans to individuals by 7%.

In the upcoming periods, the Bank will continue to pursue growth by focusing on enhancing efficiency and advancing digitalization.

Bank Respublika OJSC

Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024

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

2. Operating Environment of the Group (Continued)

Significant changes in the current reporting period. There were no significant events and/or changes in the financial position and performance of the Group for the six months ended 30 June 2024 since the end of the last annual financial reporting period.

Geopolitical, macroeconomic and regulatory environment were assessed as stable by the Management since the end of the last annual reporting period (for year ended 31 December 2023). Management believes that critical estimates and judgements since the end of the last annual reporting period (for year ended 31 December 2023) remain appropriate for the six months ended 30 June 2024.

3. Basis of preparation

These condensed consolidated interim financial statements for the six months period ended 30 June 2024 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards").

The same accounting policies and methods of computation were followed in the preparation of this condensed consolidated interim financial statements as compared with the annual consolidated financial statements of the Group for the year ended 31 December 2023.

Critical accounting estimates and judgements. In preparing these condensed consolidated interim financial statements, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2023 prepared in accordance with IFRS Accounting Standards. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2023.

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

Foreign currency translation. The financial statements are presented in Azerbaijani Manat, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the 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 30 June 2024 and 31 December 2023 in the preparation of these financial statements:

	30 June 2024	31 December 2023
1 US dollar	AZN 1.7000	AZN 1.7000
1 Euro	AZN 1.8170	AZN 1.8766

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024**

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

3 Basis of preparation (Continued)

Presentation of condensed consolidated interim statement of financial position in order of liquidity. The Group does not present current and non-current assets and liabilities separately in the condensed consolidated interim statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 33 for analysis of financial instruments by their maturity. The following table below provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 33.

	Note	30 June 2024			31 December 2023		
		Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
		Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total
ASSETS							
Property and equipment	22	-	48,895	48,895	-	48,098	48,098
Intangible assets	22	-	3,944	3,944	-	3,311	3,311
Deferred income tax asset	16	-	570	570	-	1,023	1,023
Other non-financial assets	23	5,740	120	5,860	4,798	140	4,938
Repossessed collateral	25	2,956	-	2,956	2,963	-	2,963
Goodwill		-	467	467	-	467	467
LIABILITIES							
Current income tax liability		2,445	-	2,445	2,880	-	2,880
Other non-financial liabilities	31	14,489	-	14,489	13,154	-	13,154

4. Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2024:

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

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify 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. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. '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.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that 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 purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. The application of the above amendments had no significant impact on the Group's condensed consolidated interim financial statements.

5. New Accounting Pronouncements

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

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

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

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

IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027).

In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

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

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

5 New Accounting Pronouncements (Continued)

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

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

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

Unless otherwise described above, the new standards and interpretations are considered by Management and concluded that they are not expected to significantly affect the Group's financial statements.

The requirements of the new standards and interpretations have not been taken into account in the preparation of the condensed consolidated interim financial statements. The Group is currently assessing the effect of these amendments on its financial position and results of operations.

6. Net Interest Income

	30 June 2024	30 June 2023
Interest income calculated using the effective interest method		
Loans to customers	92,654	76,569
Cash and cash equivalents	12,724	4,977
Investment securities measured at amortised cost	1,539	2,638
Amounts due from credit institutions	441	841
Other interest income	395	331
	107,753	85,356
Interest expense		
Current accounts and deposits from customers	(24,151)	(17,429)
Other borrowed funds	(9,371)	(8,656)
Subordinated borrowings	(1,676)	(1,410)
Lease liabilities	(868)	(721)
Issued bonds	(769)	(1,909)
Amounts due to credit institutions	(570)	(120)
	(37,405)	(30,245)

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024**

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

7. Expected Credit Losses on Interest Bearing Assets

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

	30 June 2024	30 June 2023
Loans to customers	518	(2)
Investment securities measured at amortised cost	(20)	-
Amounts due from credit institutions	22	(103)
Other	288	(52)
Release/(Charge) of Expected credit losses on interest bearing assets, net	808	(157)

	30 June 2024	30 June 2023
Impairment expense (net) on loans to customers	(2,419)	(2,118)
Recoveries from written off loans	2,937	2,116
Expected credit losses on loans to customers, net	518	(2)

8. Net gain on Foreign Exchange Operations

	30 June 2024	30 June 2023
Dealing, net	4,371	5,222
Translation differences, net	68	150
	4,439	5,372

9. Fee and Commission Income

	30 June 2024	30 June 2023
Plastic cards services	7,205	7,713
Settlements	3,453	3,054
Cash operations	1,484	1,672
Guarantee letters	343	300
Other operations	1,655	439
	14,140	13,178

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***10. Fee and Commission Expense**

	30 June 2024	30 June 2023
Plastic cards services	6,265	6,112
Payment systems	2,813	3,090
Settlements	1,259	1,121
Cash operations	460	495
Guarantees	137	88
Other operations	258	150
	11,192	11,056

11. Other Income, Net

	30 June 2024	30 June 2023
Other income	563	745
	563	745

12. Insurance Contract Liabilities

The following table presents movement of LRC and LIC for the period ended 30 June 2024:

	LRC		LIC	Total
Analytics of movements of liabilities under insurance contracts, broken down by LRC and LIC	Excluding Loss Component	Loss Component		
Liabilities under insurance contracts at the beginning of the period	1,589	300	670	2,559
Insurance Revenue	(2,150)	-	-	(2,150)
Insurance service expenses	607	(142)	973	1,437
Losses incurred and expenses incurred	-	-	1,082	1,082
Amortization of acquisition assets	607	-	-	607
Losses and recovery of losses under onerous contracts	-	(142)	-	(142)
Changes in liabilities for incurred losses	-	-	(110)	(110)
The result of providing insurance services	(1,543)	(142)	973	(712)
Financial expenses for insurance	66	8	17	91
Effect of changes in exchange rates	-	-	-	-
Total changes in the income statement and OCI	(1,477)	(134)	990	(621)
Cash flows	738	-	(1,086)	(348)
Premium received	1,278	-	-	1,278
Paid losses and other cash flows	-	-	(1,086)	(1,086)
Acquisition cash flows	(541)	-	-	(541)
Transferred contracts				
Liabilities under insurance contracts at the end of the period	850	166	574	1,590

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***12 Insurance Contract Liabilities (Continued)**

The following table presents movement of LRC and LIC for the year ended 31 December 2023:

Analytics of movements of liabilities under insurance contracts, broken down by LRC and LIC	LRC		LIC	Total
	Excluding Loss Component	Loss Component		
Liabilities under insurance contracts at the beginning of the period	2,212	570	637	3,419
Insurance Revenue	(5,654)	-	-	(5,654)
Insurance service expenses	1,601	(297)	3,431	4,735
Losses incurred and expenses incurred	-	-	3,739	3,739
Amortization of acquisition assets	1,601	-	-	1,601
Losses and recovery of losses under onerous contracts	-	(297)	-	(297)
Changes in liabilities for incurred losses	-	-	(308)	(308)
The result of providing insurance services	(4,054)	(297)	3,432	(919)
Financial expenses for insurance	215	27	9	251
Effect of changes in exchange rates	-	-	-	-
Total changes in the income statement and OCI	(3,839)	(270)	3,441	(668)
Cash flows	3,216	-	(3,408)	(192)
Premium received	4,725	-	-	4,725
Paid losses and other cash flows	-	-	(3,408)	(3,408)
Acquisition cash flows	(1,509)	-	-	(1,509)
Transferred contracts	-	-	-	-
Liabilities under insurance contracts at the end of the period	1,589	300	670	2,559

13. Insurance Assets and Liabilities Balances

	30 June 2024	31 December 2023
Liabilities for remaining coverage other than the loss component, including:	850	1,589
- liabilities measured using the premium allocation approach	850	1,589
Loss Component	166	300
Liabilities for incurred claims	574	670
Total insurance liability	1,590	2,559

14. Insurance Revenue and Insurance Service Result

	30 June 2024	30 June 2023
Amounts associated with the provision of insurance services, including:	2,150	3,001
insurance revenue from insurance contracts valued using the premium allocation approach	2,150	3,001
Total insurance revenue	2,150	3,001

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***14 Insurance Revenue and Insurance Service Result (Continued)**

	30 June 2024	30 June 2023
Losses and recovery of losses under onerous contracts	142	115
Amortization of acquisition cash flows	(607)	(788)
Change in the amount of liabilities for incurred claims	110	143
Incurred claims and other expenses for insurance services	(1,082)	(1,956)
Total insurance costs	(1,437)	(2,486)

15. Operating Expenses

	30 June 2024	30 June 2023
Staff costs	26,470	23,662
Payments to Social Pension Fund	4,146	3,551
Other operating expenses	2,726	2,736
Depreciation	2,350	1,834
Deposit Insurance Fund fees	2,193	2,086
Communication expenses	1,133	706
Advertising and marketing	1,083	915
Software costs	832	935
Taxes other than income tax	804	988
Office expenses	754	589
Professional services fees	718	689
Security costs	492	457
Amortization	363	137
Repairs and maintenance	305	333
Transportation and travel	269	205
Lease expense (short-term and low value items)	54	67
Losses on disposal of fixed assets	44	91
Membership fees	36	110
	44,772	40,091

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

16. Income Taxes

	30 June 2024	30 June 2023
Current income tax charge	(6,229)	(4,166)
Reassessment of income tax charge in prior years	-	-
Deferred income tax charge	(486)	(32)
Income tax expense for the period	(6,715)	(4,198)

Deferred tax charge for the period ended 30 June 2023 in the amount of AZN 794 thousand is comprised of the AZN 32 thousand charge presented in the table above and AZN 762 thousand, which is the deferred tax charged on the revaluation of the Group's buildings and presented net of the revaluation reserve amount in other comprehensive income in the condensed consolidated interim statement of profit or loss and other comprehensive income.

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***16 Income Taxes (Continued)**

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

	30 June 2024	30 June 2023
Profit before tax	31,577	19,080
Income tax at the applicable tax rate	(6,315)	(3,816)
Tax effect of non-deductible expenses	(283)	(382)
Unrecognised deferred tax asset on tax losses of subsidiary	-	-
Reassessment of income tax charge in prior years	-	-
Effect of tax act adoption on deduction of provision	-	-
Other	(116)	-
Income tax expense for the period	(6,714)	(4,198)

Deferred tax assets and liabilities

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

Movements in temporary differences during the period ended 30 June 2024 and 31 December 2023 are presented as follows:

	Balance 1 January 2024	Recognised in profit or loss	Balance 30 June 2024
Deferred tax assets in relation to:			
Loans to customers	2,464	(53)	2,411
Amounts due from credit institutions	(33)	-	(33)
Investment securities	(30)	-	(30)
Derivative financial assets	(765)	142	(623)
Property and intangible assets	(719)	(116)	(835)
Revaluation of premises and equipment	(762)	-	(762)
Right of use assets	(700)	57	(643)
Other assets	171	(701)	(530)
Amounts due to credit institutions	(116)	1	(115)
Current accounts and deposits from customers	-	5	5
Other borrowed funds	41	43	84
Lease liabilities	771	88	859
Derivative financial liabilities	589	(146)	443
Insurance reserves	(62)	(33)	(95)
Other liabilities	112	227	339
Net deferred tax asset	961	(486)	475
Recognised deferred tax asset	4,397	563	4,141
Recognised deferred tax liability	(3,436)	(1,049)	(3,666)
Net deferred tax asset	961	(486)	475

Deferred tax balance for insurance reserves relates to the Group's subsidiary and therefore disclosed separately in the condensed consolidated interim statement of financial position, as it cannot be offset with net deferred tax balance of the Bank.

Bank Respublika OJSC

Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024

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

16 Income Taxes (Continued)

	Balance 1 January 2023	Recognised in profit or loss	Balance 31 December 2023
Deferred tax assets in relation to:			
Loans to customers	1,630	834	2,464
Amounts due from credit institutions	(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
Insurance reserves	(81)	19	(62)
Other liabilities	41	71	112
Tax loss carry forwards	33	(33)	-
Net deferred tax asset	1,465	(504)	961
Recognised deferred tax asset	2,989	1,408	4,397
Recognised deferred tax liability	(1,524)	(1,912)	(3,436)
Net deferred tax asset	1,465	(504)	961

17. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	30 June 2024	31 December 2023
Cash on hand	65,597	63,186
Nostro accounts with CBAR	442,853	149,217
Nostro accounts and overnight placements with other banks	8,952	299,520
Cash equivalents		
CBAR notes	990	5,410
Short-term deposits with CBAR	40,021	76,027
Short-term deposits with non-resident banks	54,394	-
Total cash equivalents	95,405	81,437
Total cash and cash equivalents	612,807	593,360

As at 30 June 2024 the Group had outstanding balances with 3 banks (31 December 2023: 2 banks), whose balances exceed 10% of equity. These balances as at 30 June 2024 total AZN 538,622 thousand (31 December 2023: AZN 519,422 thousand).

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 30 June 2024.

	Cash balances with the CBAR, excluding mandatory reserves	Correspondent accounts and overnight placements	Total
- Excellent	-	60,223	60,223
- Good	990	484,323	485,313
- Satisfactory	-	815	815
- Special monitoring	-	858	858
- Default	-	1	1
Total cash and cash equivalents, excluding cash on hand	990	546,220	547,210

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***17 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 2023.

	Cash balances with the CBAR, excluding mandatory reserves	Correspondent accounts and overnight placements	Total
- Excellent	-	293,177	293,177
- Good	5,410	231,218	236,628
- Satisfactory	-	48	48
- Special monitoring	-	320	320
- Default	-	1	1
Total cash and cash equivalents, excluding cash on hand	5,410	524,764	530,174

For the purpose of measuring Expected Credit Loss (ECL), cash and cash equivalents amounting to AZN 858 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 Group decided not to recognize any credit loss allowance for cash and cash equivalents.

18. Amounts Due from Credit Institutions

	30 June 2024	31 December 2023
Mandatory reserve with the CBAR	158,230	135,822
Loans and deposits	3,783	4,665
Blocked accounts	6,136	6,142
Amounts due from credit institutions, gross	168,149	146,629
Loss allowance	(551)	(573)
Amounts due from credit institutions, net of loss allowance	167,598	146,056

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% (2023: 10 % and 12 %) of the previous month average of funds attracted from customers by the Bank in local and foreign currency, respectively. For further information refer to Note 34.

As at 30 June 2024 AZN equivalent of 3,660 thousand is the amount of deposits in two banks (31 December 2023: AZN equivalent of 3,905 thousand in two banks) blocked against the Group's guarantees.

As at 30 June 2024 AZN equivalent of 2,477 thousand is the amount of deposit in one bank (31 December 2023: AZN equivalent of 2,227 thousand in one bank) blocked against the Group's forward contracts.

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***18 Amounts due from credit institutions (Continued)**

Loss allowance	2024		
	Stage 1	Stage 3	Total
Amounts due from credit institutions			
Balance at 1 January	49	524	573
Net remeasurement of loss allowance	(22)	-	(22)
Balance at 30 June 2024	27	524	551

Loss allowance	2023		
	Stage 1	Stage 3	Total
Amounts due from credit institutions			
Balance at 1 January	192	524	716
Net remeasurement of loss allowance	(143)	-	(143)
Balance at 31 December 2023	49	524	573

The following tables below contain an analysis of amounts due from credit institutions balances by credit quality as at 30 June 2024 and 31 December 2023 based on credit risk grades and discloses those balances by three stages for the purpose of ECL measurement.

	Stage 1 (12-months ECL)	Stage 3	Total
30 June 2024			
Placements with other banks			
- Excellent	3,660	-	3,660
- Good	161,093	-	161,093
- Satisfactory	2,872	-	2,872
- Default	-	524	524
Gross carrying amount	167,625	524	168,149
Credit loss allowance	(27)	(524)	(551)
Carrying amount	167,598	-	167,598

	Stage 1 (12-months ECL)	Stage 3	Total
31 December 2023			
Placements with other banks			
- Excellent	3,905	-	3,905
- Good	140,793	-	140,793
- Satisfactory	1,407	-	1,407
- Default	-	524	524
Gross carrying amount	146,105	524	146,629
Credit loss allowance	(49)	(524)	(573)
Carrying amount	146,056	-	146,056

Bank Respublika OJSC

Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024

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

19. Loans to Customers

	30 June 2024	31 December 2023
Micro loans	479,247	446,244
SME loans	411,820	407,074
Retail loans	259,117	233,880
Mortgage loans	91,315	83,903
Card loans	1,576	1,357
Gross loans to customers	1,243,075	1,172,458
Loss allowance	(22,285)	(22,258)
Net loans to customers	1,220,790	1,150,200

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 2024	1,055,504	100,217	16,737	1,172,458
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	739,391	-	-	739,391
Derecognised during the period	(602,439)	(63,256)	(436)	(666,131)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(65,225)	65,225	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(7,817)	(2,441)	10,258	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	15,672	(14,918)	(754)	-
- from Stage 3 to Stage 2	-	2,061	(2,061)	-
Amounts written off	-	-	(2,643)	(2,643)
At 30 June 2024	1,135,086	86,888	21,101	1,243,075

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(7,884)	(6,544)	(7,830)	(22,258)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(5,686)	-	-	(5,686)
Derecognised during the period	1,340	733	926	2,999
Other movement	783	1,143	213	2,139
Write-off additional charge (other movement)	(43)	(28)	(1,324)	(1,395)
Changes to ECL measurement model assumptions				
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	453	(887)	-	(434)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	11	119	(1,233)	(1,103)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(109)	339	240	470
- from Stage 3 to Stage 2	-	(25)	616	591
Total movements with impact on credit loss allowance charge for the period	(3,251)	1,394	(562)	(2,419)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	2,643	2,643
Unwinding of discount on present value of ECL	-	-	(251)	(251)
At 30 June 2024	(11,135)	(5,150)	(6,000)	(22,285)

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***19 Loans to Customers (Continued)**

	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2023	856,233	108,741	15,329	980,303
<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 Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***19 Loans to Customers (Continued)**

Micro loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	361,359	80,826	4,059	446,244
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	292,535	-	-	292,535
Derecognised during the period	(215,675)	(43,169)	(233)	(259,077)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(40,292)	40,292	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,830)	(830)	2,660	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	6,203	(5,996)	(207)	-
- from Stage 3 to Stage 2	-	268	(268)	-
Amounts written off	-	-	(455)	(455)
At 30 June 2024	402,300	71,391	5,556	479,247

Micro loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(2,132)	(5,518)	(1,803)	(9,453)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(2,902)	-	-	(2,902)
Derecognised during the period	609	626	200	1,435
Other movement	527	1,111	116	1,754
Write off additional charge (other movement)	-	-	(209)	(209)
Changes to ECL measurement model assumptions				
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	1,242	(1,374)	-	(132)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	407	63	(921)	(451)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(24)	162	80	218
- from Stage 3 to Stage 2	-	(4)	110	106
Total movements with impact on credit loss allowance charge for the period	(141)	584	(624)	(181)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	455	455
Unwinding of discount on present value of ECL	-	-	(105)	(105)
At 30 June 2024	(2,273)	(4,934)	(2,077)	(9,284)

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***19 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 Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024

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

19 Loans to Customers (Continued)

SME loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	390,241	9,407	7,426	407,074
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	238,105	-	-	238,105
Derecognised during the period	(219,559)	(13,590)	(130)	(233,279)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(13,004)	13,004	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(3,589)	(586)	4,175	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	7,552	(7,109)	(443)	-
- from Stage 3 to Stage 2	-	1,185	(1,185)	-
Amounts written off	-	-	(80)	(80)
At 30 June 2024	399,746	2,311	9,763	411,820

SME loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(3,644)	(516)	(3,179)	(7,339)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(1,961)	-	-	(1,961)
Derecognised during the period	403	64	481	948
Other movement	70	12	22	104
Write off additional charge (other movement)	-	-	(52)	(52)
Changes to ECL measurement model assumptions				
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	219	(402)	-	(183)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	413	7	(540)	(120)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(76)	110	124	158
- from Stage 3 to Stage 2	-	(9)	233	224
Total movements with impact on credit loss allowance charge for the period	(932)	(218)	268	(882)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	80	80
Unwinding of discount on present value of ECL	-	-	(46)	(46)
At 30 June 2024	(4,576)	(734)	(2,877)	(8,187)

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***19 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 Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***19 Loans to Customers (Continued)**

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	223,190	6,014	4,676	233,880
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	191,941	-	-	191,941
Derecognised during the period	(158,831)	(5,487)	(341)	(164,659)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(8,693)	8,693	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2,077)	(862)	2,939	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,011	(915)	(96)	-
- from Stage 3 to Stage 2	-	568	(568)	-
Amounts written off	-	-	(2,045)	(2,045)
At 30 June 2024	246,541	8,011	4,565	259,117

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(2,006)	(366)	(2,484)	(4,856)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(807)	-	-	(807)
Derecognised during the period	324	22	221	567
Other movement	112	13	99	224
Write off additional charge (other movement)	(43)	(28)	(1,024)	(1,095)
Changes to ECL measurement model assumptions				
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	49	(73)	-	(24)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	491	42	(1,029)	(496)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(6)	12	35	41
- from Stage 3 to Stage 2	-	(12)	261	249
Total movements with impact on credit loss allowance charge for the period	120	(24)	(1,437)	(1,341)
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	2,045	2,045
Unwinding of discount on present value of ECL	-	-	(96)	(96)
At 30 June 2024	(1,886)	(390)	(1,972)	(4,248)

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***19 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 Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***19 Loans to Customers (Continued)**

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	80,305	3,296	302	83,903
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	15,383	-	-	15,383
Derecognised during the period	(7,300)	(605)	(3)	(7,908)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(2,639)	2,639	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(207)	(134)	341	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	835	(827)	(8)	-
- from Stage 3 to Stage 2	-	40	(40)	-
Amounts written off	-	-	(63)	(63)
At 30 June 2024	86,377	4,409	529	91,315

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(83)	(115)	(133)	(331)
<i>Movements with impact on credit loss allowance charge for the period:</i>				
New assets originated or purchased	(8)	-	-	(8)
Derecognised during the period	1	12	1	14
Other movement	76	4	9	89
Write off additional charge (other movement)	-	-	(39)	(39)
Changes to ECL measurement model assumptions				
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	6	(94)	-	(88)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	6	(26)	(20)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	-	52	1	53
- from Stage 3 to Stage 2	-	-	12	12
Total movements with impact on credit loss allowance charge for the period	75	(20)	(42)	13
<i>Movements without impact on credit loss allowance charge for the period:</i>				
Amounts written off	-	-	63	63
Unwinding of discount on present value of ECL	-	-	(4)	(4)
At 30 June 2024	(8)	(135)	(116)	(259)

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***19 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 Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***19 Loans to Customers (Continued)**

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

Significant credit exposures

As at 30 June 2024, the Group had 74 borrowers (31 December 2023: 74) with gross loan balances exceeding AZN 1,000 thousand. The total gross value of these loans as at 30 June 2024 was AZN 209,657 thousand or 16% of the total loans to customers (31 December 2023: AZN 208,769 thousand or 17%)

Loan maturities

The maturity of the loan portfolio is presented in Note 33, which shows the remaining period from the reporting date to the contractual maturity of the loans.

20. Investment Securities

	30 June 2024	31 December 2023
Investment in debt securities at AC	52,982	63,053
Investment securities at FVOCI - equity instruments	1,087	1,088
Investment securities, gross	54,069	64,141
Loss allowance	(318)	(298)
Total investment securities	53,751	63,843

The table below discloses investments in debt securities at 30 June 2024 by measurement categories and classes:

	Investment in debt securities at AC	Total
Government bonds	15,229	15,229
Corporate bonds	37,753	37,753
Total investments in debt securities at 30 June 2024 (fair value or gross carrying value)	52,982	52,982
Credit loss allowance	(318)	(318)
Total investments in debt securities at 30 June 2024 (carrying value)	52,664	52,664

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024**

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

20 Investment Securities (Continued)

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

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

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

	Stage 1 (12-months ECL)
Government bonds	
- Good	15,229
Corporate bonds	
- Good	37,753
Gross carrying amount	52,982
Credit loss allowance	(318)
Carrying amount	52,664

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***20 Investment Securities (Continued)**

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

	Stage 1 (12-months ECL)
Government bonds	
- Good	28,280
Corporate bonds	
- Good	34,773
Gross carrying amount	63,053
Credit loss allowance	(298)
Carrying amount	62,755

Investment securities designated at FVOCI - equity instruments

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

	Ownership,%	2024	Ownership,%	2023
Milli Kart LLC	8.3%	500	8.3%	500
Agrar Insurance Joint Insurance Company OJSC	14.29%	313	14.29%	313
Azerbaijan Credit Bureau LLC	12.5%	250	12.5%	250
SWIFT	-	24	-	25
		1,087		1,088

21. 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	30 June 2024		Notional amount	31 December 2023	
		Fair value			Fair value	
		Assets	Liabilities		Assets	Liabilities
Swaps – domestic	55,075	-	(1,330)	65,075	-	(2,433)
Swaps – foreign	34,970	3,115	-	39,100	3,825	-
Forward	9,964	-	(883)	9,964	-	(510)
Total derivative financial instruments	100,009	3,115	(2,213)	114,139	3,825	(2,943)

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

	30 June 2024	30 June 2023
Interest expense on derivative financial instruments	(3,298)	(4,455)
Fair value gain from derivative financial instruments	21	76
Losses less gains from financial derivatives	(3,277)	(4,379)

Bank Respublika OJSC

Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024

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

22. Property and Equipment

	Land	Buildings	Right-of-Fixtures and use assets equipment	Computers	Motor vehicles	Leasehold improvements	Other equipment	Computer software and licenses	Total	
Cost/revalued amount										
Balance at 1 January 2023	4,543	26,329	6,179	11,323	13,888	1,840	1,656	822	7,900	74,480
Additions	-	1,191	1,989	1,873	2,993	610	725	125	1,578	11,084
Disposals	(4,507)	-	(1,275)	(13)	(97)	(63)	-	(1)	-	(5,956)
Reassessment and modification of right-of-use assets	-	-	50	-	-	-	-	-	-	50
Revaluation	-	2,853	-	-	-	-	-	-	-	2,853
Balance at 31 December 2023	36	30,373	6,943	13,183	16,784	2,387	2,381	946	9,478	82,511
Balance at 1 January 2024	36	30,373	6,943	13,183	16,784	2,387	2,381	946	9,478	82,511
Additions	-	166	892	315	1,678	14	272	-	996	4,333
Disposals	-	(16)	(569)	-	(137)	(71)	(1)	(67)	-	(861)
Reassessment and modification of right-of-use assets	-	-	4	-	-	-	-	-	-	4
Transfers	-	-	-	(1,343)	1,343	-	-	-	-	-
Balance at 30 June 2024	36	30,523	7,270	12,155	19,668	2,330	2,652	879	10,474	85,987
Accumulated depreciation										
Balance at 1 January 2023	-	(805)	(2,867)	(7,576)	(8,449)	(1,239)	(1,142)	(753)	(5,882)	(28,713)
Depreciation for the year	-	(384)	(1,306)	(637)	(1,261)	(103)	(133)	(110)	(285)	(4,219)
Elimination on disposals	-	-	729	7	90	46	-	1	-	873
Revaluation	-	957	-	-	-	-	-	-	-	957
Balance at 31 December 2023	-	(232)	(3,444)	(8,206)	(9,620)	(1,296)	(1,275)	(862)	(6,167)	(31,102)
Depreciation for the period	-	(215)	(644)	(300)	(1,022)	(75)	(85)	(9)	(363)	(2,713)
Elimination on disposals	-	16	425	-	118	70	1	37	-	667
Transfers	-	-	-	594	(594)	-	-	-	-	-
Balance at 30 June 2024	-	(431)	(3,663)	(7,912)	(11,118)	(1,301)	(1,359)	(834)	(6,530)	(33,148)
Carrying amount										
At 31 December 2023	36	30,141	3,499	4,977	7,164	1,091	1,106	84	3,311	51,409
At 30 June 2024	36	30,092	3,607	4,243	8,550	1,029	1,293	45	3,944	52,839

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***22 Property and Equipment (Continued)**

As at 30 June 2024 and 31 December 2023, included in property and equipment were fully depreciated assets of AZN 13,287 thousand and AZN 12,533 thousand, respectively.

Buildings owned by the Group are carried at revalued amounts based on the independent appraiser's report. As at 30 June 2024 and 31 December 2023, the carrying value of these buildings approximate their fair values. If the buildings were accounted at historical cost less accumulated depreciation and impairment losses, its carrying value would be AZN 17,868 thousand as at 30 June 2024 (31 December 2023: AZN 18,035 thousand).

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

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

	30 June 2024	31 December 2023
Short-term lease liabilities	(1,644)	(1,755)
Long-term lease liabilities	(2,991)	(2,477)
Total lease liabilities	(4,635)	(4,232)

Details of the Group's buildings and information about the fair value hierarchy as at 30 June 2024 and 31 December 2023 are as follows:

	30 June 2024		31 December 2023	
	Level 3	Fair value	Level 3	Fair value
Buildings	30,092	30,092	30,141	30,141
Total	30,092	30,092	30,141	30,141

23. Other Assets

	30 June 2024	31 December 2023
Settlements on money transfers	23,355	14,046
Receivables from the government	707	707
Other financial assets	82	1,601
Total other financial assets	24,144	16,354
Prepayments for property, equipment, and intangible assets	189	1,025
Deferred expenses	3,520	3,252
Other prepayments	411	208
Prepaid taxes	959	-
Deposits at Compulsory Insurance Bureau	-	400
Other non-financial assets	781	53
Total other non-financial assets	5,860	4,938
Total other assets	30,004	21,292

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024**

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

23 Other Assets (Continued)

Included in other assets as at 30 June 2024 and 31 December 2023 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.

24. Amounts Due to Credit Institutions

	30 June 2024	31 December 2023
Current accounts	4,751	2,935
Term deposits	39,111	2,074
	43,862	5,009

25. Repossessed Collateral

As of 30 June 2024, and 31 December 2023, repossessed collaterals in the amount of AZN 2,956 thousand and AZN 2,963 thousand is represented by AZN 2,956 thousand and AZN 2,963 thousand of real estate (apartments, land and non-living area), respectively, which the Group took possession of.

26. Current Accounts and Deposits from Customers

	30 June 2024	31 December 2023
Current accounts and demand deposits		
- Retail	188,615	164,048
- Corporate	589,388	680,010
Term deposits		
- Retail	535,653	505,799
- Corporate	203,655	123,112
	1,517,311	1,472,969

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

As at 30 June 2024, the Group has 7 customers (2023: 8 customers), whose balances exceed 10% of equity. This balance as at 30 June 2024 is AZN 625,631 thousand (2023: AZN 595,588 thousand).

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***27. Subordinated Borrowings**

	Currency	Placement period	2024 nominal interest rate	30 June 2024	Placement period	2023 nominal interest rate	31 December 2023
Subordinated borrowings from foreign credit institutions - third parties	USD	2030-2032	8.67%-13.12%	33,314	2029-2031	7.80%-13.12%	29,899
Total subordinated borrowings				33,314			29,899

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

Dutch Entrepreneurial Development Bank (FMO). There are two active issuances of subordinated debt from FMO which have been modified during 2024, and maturity date of each of them was 27 September 2029 before modification and after prolongation the maturity date is 27 September 2032. 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 currently two active subordinated debt issuances from EMF with a maturity date of 13 July 2030. Additionally, there is another debt issuance with an original maturity date of 2 June 2029, which has been extended, and its new maturity date is 2 June 2032. The rate on the loan facility as stipulated in the underlying agreement is fixed at certain time intervals until maturity.

There is one active subordinated loan agreement with INCOFIN CVSO CVBA SO, a Belgian investment company in the amount of the equivalent in USD of EUR 2,000,000 at the fixed USD interest rate of 9.38% per annum with 31 March 2031 maturity date.

On 29 March 2024 the Group entered into new subordinated loan agreement with International Bank of Azerbaijan in the amount of USD 2,000,000 at the interest rate of 9% for 7 years with 28 March 2031 set as maturity date.

For liquidity disclosure refer to Note 33.

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

	Subordinated borrowings
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
Proceeds from subordinated borrowings, principal	3,400
Repayments of subordinated borrowings, principal	-
Interest expense	1,596
Interest paid	(1,582)
Balance at 30 June 2024	33,314

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024**

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

28. Other Borrowed Funds

	30 June 2024	31 December 2023
Loans from local credit institutions:		
Entrepreneurship Development Fund of the Republic of Azerbaijan	96,502	82,464
The Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan	90,254	81,802
Agrarian Credit and Development Agency	11,400	13,299
The Central Bank of the Republic of Azerbaijan	3,764	3,547
Total loans from local credit institutions	201,920	181,112
Loans from foreign credit institutions:		
IFC	53,219	62,139
FMO	47,336	31,979
Asian Development Bank	34,872	14,607
INCOFIN CVSO CVBA SO	9,767	9,775
European Bank for Reconstruction and Development	7,789	12,969
EFSE	5,115	10,238
Total loans from foreign credit institutions	158,098	141,707
Total loans received from local and foreign credit institutions	360,018	322,819

Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan. Under this program, funds made available to the Group at interest rates of 1-4% p.a. and the Group further lends these funds to eligible borrowers at rates not higher than 8% p.a. These loans have maturity periods from 3 to 30 years.

Entrepreneurship Development Fund of the Republic of Azerbaijan. Under this program, funds made available to the Group at an interest rate of 1-2% p.a. and the Group further lends these funds to eligible borrowers at rates not higher than 6% p.a. These loans have maturity periods up to 10 years.

Agrarian Credit and Development Agency under the Ministry of Agriculture. Under this program, funds made available to the Group at an interest rate of 2% and 2.5% p.a. and the Group further lends these funds to eligible borrowers at rates 5% and 12% p.a. respectively. The loans are repayable within 3 years from issue date.

The Central Bank of the Republic of Azerbaijan. During 2020 and 2019, the CBAR issued loans to the Group in the amount of AZN 2,699 thousand and AZN 10,674 thousand respectively with annual interest rate of 0.1% for restructuring problem loans based on the decree "On the additional measures related to the solution of problem loans of individuals in the Republic of Azerbaijan" signed by the President of the Republic of Azerbaijan. These loans were recorded at fair value on initial recognition. As at 30 June 2024 and 31 December 2023 amortized carrying amount of these loans was AZN 3,764 thousand and AZN 3,547 thousand respectively.

Bank Respublika OJSC

Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024

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

28 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 Group considers this market as a separate market from other commercial borrowing business as these loans are issued to the whole banking sector of Azerbaijan at the same terms, purposes, conditions and credit risk exposures.

Included in loans received from foreign credit institutions are AZN and synthetic AZN loans from third party foreign credit institutions. These loans have original maturity periods from 12 months to 4 years. (31 December 2023: original maturity periods from 12 months to 3 years). Interest rates on these loans are fixed on disbursement date and range from 8.9 % to 11.45% as at 30 June 2024 (31 December 2023: fixed and range from 9.1 % to 11.45%).

International Finance Corporation (IFC). The Bank shall pay on outstanding principal amount at fixed 9.85% per annum in AZN.

The Bank shall pay on outstanding principal amount at the sum of relevant spread and SOFR rate per annum in USD.

Dutch Entrepreneurial Development Bank (FMO). The Bank shall pay interest on the AZN loan at a fixed rate equal to the sum of the margin of 2.65% per annum and the base rate for such LCY Loan. "Base rate" means in relation to each LCY Loan the Local Currency fixed rate equivalent of SOFR as determined by FMO on the basis of the Hedging Arrangements or if FMO deems SOFR no longer appropriate for the purpose of calculating the Base Rate for the relevant LCY Loan, such other rate as determined by FMO and notified to the Bank.

Asian Development Bank (ADB). The Bank shall pay on outstanding principal amount at fixed 9.48% 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 Group shall pay on outstanding principal amount at fixed 9.5% per annum in AZN.

As at 30 June 2024 and 31 December 2023, loans received from local and foreign credit institutions did not include loans from related party foreign credit institutions.

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***28 Other Borrowed Funds (Continued)**

The Group is obligated to comply with financial covenants in relation to loans received from foreign credit institutions. These covenants include debt to equity ratios and various other financial performance ratios. The Group's compliance with these financial covenants is disclosed in Note 35. Reconciliation of movements of liabilities to cash flows arising from financing activities:

	<u>Other borrowed funds</u>
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 1 January 2024	322,819
Financing cash flows:	
Proceeds from other borrowed funds, principal	110,123
Repayments of other borrowed funds, principal	(73,464)
Interest expense	9,787
Interest paid	(9,247)
Balance at 30 June 2024	360,018

29. Bonds Issued

Three bonds matured during 2024, there are no active bonds as at 30 June 2024.

	<u>30 June 2024</u>	<u>31 December 2023</u>
Bonds issued on domestic market	-	35,719
Total debt securities in issue	-	35,719

30. Share Capital

As at 30 June 2024, share capital consists of 30,188 thousand ordinary shares (31 December 2023: 30,188 thousand) with par value of AZN 2,45 each.

The dividends per ordinary shares are as follows:

	<u>2024</u>
Dividends payable at 1 January	-
Dividends declared during the period	10,415
Dividends paid during the period	(10,415)
Dividends payable at 30 June 2024	-
Dividends per share declared during the period	0.35
	<u>2023</u>
Dividends payable at 1 January	-
Dividends declared during the year	5,997
Dividends paid during the year	(5,997)
Dividends payable at 31 December	-
Dividends per share declared during the year	0.20

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024**

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

31. Other Liabilities

	30 June 2024	31 December 2023
Settlements on money transfers and plastic card operations	14,143	7,214
Items in course of settlement	2,378	1,574
Payables arising out of insurance operations	-	198
Other financial liabilities	1,409	182
Total other financial liabilities	17,930	9,168
Salary and Other Payables to Employees	10,649	10,745
Payable to the Deposit Insurance Fund	1,157	1,204
Taxes other than income tax	2,207	1,205
Other non-financial liabilities	476	-
Total other non-financial liabilities	14,489	13,154
Total other liabilities	32,419	22,322

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

- Corporate banking – loan and other credit facilities, current accounts, deposits, dealing operations and other banking products with entrepreneurs (legal entities and individual entrepreneurs).
- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Treasury – interbank lending and borrowings, investment and securities trading activities, foreign exchange services, issuance of bonds and other treasury activities.
- Insurance – representing compulsory property and compulsory auto insurance, casualty and collision, travel, and other insurance services.

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

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

Segment financial information reviewed by the Management Board includes operating results and the condensed consolidated interim 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.

32 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 Group. 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.

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024**

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

32 Segment Analysis (Continued)**(d) Information about reportable segment profit or loss, assets and liabilities**

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

	Corporate banking	Retail banking	Treasury	Insurance	Eliminations	Total
Interest income	65,943	25,420	16,181	319	(110)	107,753
Fee and commission income	6,698	7,442	-	-	-	14,140
Revenue from insurance contracts	-	-	-	2,150	-	2,150
Total revenues	72,641	32,862	16,181	2,469	(110)	124,043
Interest expense	(25,043)	(9,727)	(5,154)	(17)	110	(39,831)
Fee and commission expense	(5,288)	(5,375)	(529)	-	-	(11,192)
Operating expenses	(27,789)	(14,887)	(1,554)	(245)	-	(44,475)
Net gain on foreign exchange operations	2,999	1,736	(296)	-	-	4,439
Expenses under insurance contracts	-	-	-	(1,437)	-	(1,437)
Expenses under held reinsurance contracts held	-	-	-	(230)	-	(230)
Financial expenses for insurance contracts issued	-	-	-	(93)	-	(93)
Financial income from reinsurance contracts held	-	-	-	10	-	10
Other income/expense	61	200	85	120	-	466
Credit loss allowances release for assets carried at amortised cost	582	226	-	-	-	808
Net segment result	18,163	5,035	8,733	577	-	32,508
Net segment result	32,508					
Interest expense	(851)					
Other income/expense	217					
Operating expenses	(297)					
Income tax charge	(6,715)					
Profit for the period	24,862					

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024**

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

32 Segment Analysis (Continued)

Segment information for the reportable segments for the period ended 30 June 2023 is set out below:

	Corporate banking	Retail banking	Treasury	Insurance	Eliminations	Total
Interest income	51,005	22,618	11,456	384	(107)	85,356
Fee and commission income	5,721	7,457	-	-	-	13,178
Revenue from insurance contracts	-	-	-	3,001	-	3,001
Total revenues	56,726	30,075	11,456	3,385	(107)	101,535
Interest expense	(22,065)	(6,970)	(5,466)	138	107	(34,256)
Fee and commission expense	(3,423)	(7,294)	(339)	-	-	(11,056)
Operating expenses	(23,783)	(14,500)	(1,380)	(681)	-	(40,344)
Net gain on foreign exchange operations	3,105	2,744	(477)	-	-	5,372
Expenses under insurance contracts	-	-	-	(2,486)	-	(2,486)
Expenses under held reinsurance contracts held	-	-	-	(198)	-	(198)
Income from reinsurance contracts held	-	-	-	115	-	115
Financial expenses for insurance contracts issued	-	-	-	(113)	-	(113)
Financial income from reinsurance contracts held	-	-	-	7	-	7
Other income/expense	147	290	205	31	-	673
Credit loss allowances release for assets carried at amortised cost	(165)	(57)	-	65	-	(157)
Net segment result	10,542	4,288	3,999	263	-	19,092
Net segment result	19,092					
Interest expense	(368)					
Other income/expense	103					
Operating expenses	253					
Income tax charge	(4,198)					
Profit for the period	14,882					

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 Segment Analysis (Continued)**

Segment assets:

30 June 2024	Segment assets	Corporate banking	Retail banking	Treasury	Insurance	Elimination
Cash and cash equivalents	755	-	-	-	855	(100)
Amounts due from credit institutions	167,598	-	-	164,373	5,630	(2,405)
Loans to customers	1,220,790	873,596	347,194	-	-	-
Investment securities	53,751	-	-	51,699	2,052	-
Derivative financial assets	3,115	-	-	3,115	-	-
Other assets	832	-	-	-	832	-
Total segment assets	1,446,841	873,596	347,194	219,187	9,369	(2,505)

Cash and cash equivalents	612,052
Property and equipment	48,895
Intangible assets	3,944
Deferred tax assets	570
Other assets	29,300
Reposessed collateral	2,956
Goodwill	467

Total assets as per condensed consolidated interim financial statements	2,145,025
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Segment liabilities:

30 June 2024	Segment liabilities	Corporate banking	Retail banking	Treasury	Insurance	Elimination
Current accounts and deposits from customers	1,517,311	795,547	724,269	-	-	(2,505)
Other borrowed funds	360,018	-	-	360,018	-	-
Lease liabilities	341	-	-	-	341	-
Derivative financial liabilities	2,213	-	-	2,213	-	-
Deferred tax liabilities	95	-	-	-	95	-
Insurance contract liabilities	1,590	-	-	-	1,590	-
Other liabilities	530	-	-	-	530	-
Subordinated borrowings	33,314	-	-	33,314	-	-
Total segment liabilities	1,915,412	795,547	724,269	395,545	2,556	(2,505)

Amounts due to credit institutions	43,862
Lease liabilities	4,294
Other liabilities	31,889
Current income tax liability	2,445

Total liabilities as per condensed consolidated interim financial statements	1,997,902
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Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***32 Segment Analysis (Continued)**

Segment assets:

	Segment assets	Corporate banking	Retail banking	Treasury	Insurance	Elimination
31 December 2023						
Cash and cash equivalents	491	-	-	-	566	(75)
Amounts due from credit institutions	146,056	-	-	141,979	6,484	(2,407)
Loans to customers	1,150,200	836,526	313,674	-	-	-
Investment securities	63,843	-	-	62,212	1,631	-
Derivative financial assets	3,825	-	-	3,825	-	-
Other assets	1,015	-	-	-	1,015	-
Total segment assets	1,365,430	836,526	313,674	208,016	9,696	(2,482)

Cash and cash equivalents	592,869
Property and equipment	48,098
Intangible assets	3,311
Deferred tax assets	1,023
Other assets	20,547
Repossessed collateral	2,963
Goodwill	467

Total assets as per consolidated financial statements	2,034,708
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Segment liabilities:

	Segment liabilities	Corporate banking	Retail banking	Treasury	Insurance	Elimination
31 December 2023						
Current accounts and deposits from customers	1,472,969	805,604	669,847	-	-	(2,482)
Other borrowed funds	322,819	-	-	322,819	-	-
Lease liabilities	377	-	-	-	377	-
Derivative financial liabilities	2,943	-	-	2,943	-	-
Deferred tax liabilities	62	-	-	-	62	-
Insurance contract liabilities	2,559	-	-	-	2,559	-
Other liabilities	305	-	-	-	305	-
Bonds issued	35,719	-	-	35,719	-	-
Subordinated borrowings	29,899	-	-	29,899	-	-
Total segment liabilities	1,867,652	805,604	669,847	391,380	3,303	(2,482)

Amounts due to credit institutions	5,009
Lease liabilities	3,855
Other liabilities	22,017
Current income tax liability	2,880

Total liabilities as per consolidated financial statements	1,901,413
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33. Risk Management Policies

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

Liquidity risk

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

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

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

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

The liquidity management policy requires:

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

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

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

33 Risk Management Policies (Continued)

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

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

An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the Group. Overdue interest of loans to customers is included in category 1 year to 5 years in the table below:

Bank Respublika OJSC

Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024

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

33 Risk Management Policies (Continued)

	Weighted average effective interest rate	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
30 June 2024								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents		95,405	-	-	-	-	-	95,405
Amounts due from credit institutions	1.19%	1,730	422	2,974	560	-	-	5,686
Loans to customers	5.38% (USD) 16.66% (AZN)	56,611	104,968	455,609	520,457	83,145	-	1,220,790
Investment securities	5.84%	3,686	1,600	43,501	3,877	-	-	52,664
Total fixed interest bearing financial assets		157,432	106,990	502,084	524,894	83,145	-	1,374,545
Non-interest bearing financial assets								
Cash and cash equivalents		517,402	-	-	-	-	-	517,402
Amounts due from credit institutions		161,912	-	-	-	-	-	161,912
Investment securities		-	-	-	-	-	1,087	1,087
Other financial assets		-	24,144	-	-	-	-	24,144
Total non-interest bearing financial assets		679,314	24,144	-	-	-	1,087	704,545
Total non-derivative financial assets		836,746	131,134	502,084	524,894	83,145	1,087	2,079,090
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	6.54%	36,111	-	3,000	-	-	-	39,111
Term deposits from customers	7.47%	64,775	95,196	328,223	251,114	-	-	739,308
Other borrowed funds	5.37%	27,620	7,882	68,991	185,849	69,676	-	360,018
Lease liabilities	9.06%	137	274	1,232	2,941	51	-	4,635
Total fixed interest bearing financial liabilities		128,643	103,352	401,446	439,904	69,727	-	1,143,072
Variable interest rate instruments								
Subordinated borrowings	11.16%	714	-	-	-	32,600	-	33,314
Total variable interest bearing financial liabilities		714	-	-	-	32,600	-	33,314

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***33 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		4,751	-	-	-	-	-	4,751
Current accounts and demand deposits from customers		169,410	-	397,276	211,317	-	-	778,003
Other financial liabilities		17,930	-	-	-	-	-	17,930
Total non-interest bearing financial liabilities		192,091	-	397,276	211,317	-	-	800,684
Total non-derivative financial liabilities		321,448	103,352	798,722	651,221	102,327	-	1,977,070
The effect of derivatives								
- inflow		20,000	-	35,075	44,934			
- outflow		(21,835)	(681)	(37,888)	(50,592)			
Net effect of derivatives		(1,835)	(681)	(2,813)	(5,658)			
Liquidity gap		513,463	27,101	(299,451)	(131,985)	(19,182)		
Cumulative liquidity gap		513,463	540,564	241,113	109,128	89,946		
Interest sensitivity gap		28,075	3,638	100,638	84,990	(19,182)		
Cumulative interest sensitivity gap		28,075	31,713	132,351	217,341	198,159		

Bank Respublika OJSC

Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024

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

33 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
Amounts due from credit institutions	1.76%	1,152	329	3,706	1,036	81	-	6,304
Loans to customers	5-7% (USD) 14-21% (AZN)	63,003	111,562	443,454	466,547	65,634	-	1,150,200
Investment securities	6.24%	4,178	14,731	9,546	34,300	-	-	62,755
Total fixed interest bearing financial assets		149,770	126,622	456,706	501,883	65,715	-	1,300,696
Non-interest bearing financial assets								
Cash and cash equivalents		511,923	-	-	-	-	-	511,923
Amounts due from credit institutions		139,733	19	-	-	-	-	139,752
Investment securities		-	-	-	-	-	1,088	1,088
Other financial assets		-	16,354	-	-	-	-	16,354
Total non-interest bearing financial assets		651,656	16,373	-	-	-	1,088	669,117
Total non-derivative financial assets		801,426	142,995	456,706	501,883	65,715	1,088	1,969,813
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	7.25%	874	-	1,200	-	-	-	2,074
Term deposits from customers	7.11%	46,709	146,489	345,554	79,359	10,800	-	628,911
Issued bonds	8.50%	-	15,496	20,223	-	-	-	35,719
Other borrowed funds	5.40%	23,928	6,526	73,432	155,996	62,937	-	322,819
Lease liabilities	9.38%	146	293	1,316	2,477	-	-	4,232
Total fixed interest bearing financial liabilities		71,657	168,804	441,725	237,832	73,737	-	993,755
Variable interest rate instruments								
Subordinated borrowings	10.70%	700	-	-	-	29,199	-	29,899
Total variable interest bearing financial liabilities		700	-	-	-	29,199	-	29,899

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***33 Risk Management Policies (Continued)**

	Weighted average effective interest rate	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
Non-interest bearing financial liabilities								
Amounts due to credit institutions		2,935	-	-	-	-	-	2,935
Current accounts and demand deposits from customers		227,129	-	400,131	216,798	-	-	844,058
Other financial liabilities		9,168	-	-	-	-	-	9,168
Total non-interest bearing financial liabilities		239,232	-	400,131	216,798	-	-	856,161
Total non-derivative financial liabilities		311,589	168,804	841,856	454,630	102,936	-	1,879,815
The effect of derivatives								
- inflow		-	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		487,764	(26,633)	(389,619)	38,376	(37,221)		
Cumulative liquidity gap		487,764	461,131	71,512	109,888	72,667		
Interest sensitivity gap		77,413	(42,182)	14,981	264,051	(37,221)		
Cumulative interest sensitivity gap		77,413	35,231	50,212	314,263	277,042		

33 Risk Management Policies (Continued)

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

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

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

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

The following tables detail the Group'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 Group 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 Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***33 Risk Management Policies (Continued)**

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total gross amount	Total carrying amount
30 June 2024								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents	95,405	-	-	-	-	-	95,405	95,405
Amounts due from credit institutions	1,731	500	3,165	575	-	-	5,971	5,686
Loans to customers	74,288	136,675	565,484	626,975	135,390	-	1,538,812	1,220,790
Investment securities	254	509	8,630	47,279	-	-	56,672	52,664
Total fixed interest bearing financial assets	171,678	137,684	577,279	674,829	135,390	-	1,696,860	1,374,545
Non-interest bearing financial assets								
Cash and cash equivalents	517,402	-	-	-	-	-	517,402	517,402
Amounts due from credit institutions	161,912	-	-	-	-	-	161,912	161,912
Investment securities	-	-	-	-	-	1,087	1,087	1,087
Other financial assets	-	24,144	-	-	-	-	24,144	24,144
Total non-interest bearing financial assets	679,314	24,144	-	-	-	1,087	704,545	704,545
Total non-derivative financial assets	850,992	161,828	577,279	674,829	135,390	1,087	2,401,405	2,079,090

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Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024

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

33 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	36,379	484	4,265	-	-	-	41,128	39,111
Term deposits from customers	69,131	103,197	353,155	266,626	-	-	792,109	739,308
Other borrowed funds	24,978	10,773	81,417	210,614	90,617	-	418,399	360,018
Lease liabilities	157	314	1,399	3,363	-	-	5,233	4,635
Total fixed interest bearing financial liabilities	130,645	114,768	440,236	480,603	90,617	-	1,256,869	1,143,072
Variable interest rate instruments								
Subordinated borrowings	303	607	2,729	14,556	39,081	-	57,276	33,314
Total variable interest bearing financial liabilities	303	607	2,729	14,556	39,081	-	57,276	33,314
Non-interest bearing instruments								
Amounts due to credit institutions	4,751	-	-	-	-	-	4,751	4,751
Current accounts and demand deposits from customers	778,003	-	-	-	-	-	778,003	778,003
Other financial liabilities	17,930	-	-	-	-	-	17,930	17,930
Guarantees issued and similar commitments	71,537	-	-	-	-	-	71,537	71,537
Commitments on loans and unused credit lines	26,475	-	-	-	-	-	26,475	26,475
Total non-interest bearing financial liabilities and commitments	898,696	-	-	-	-	-	898,696	898,696
Total financial liabilities and commitments	1,029,644	115,375	442,965	495,159	129,698	-	2,212,841	2,075,082
The effect of derivatives held for risk management								
- inflow	20,000	-	35,075	44,934				
- outflow	(21,835)	(681)	(37,888)	(50,592)				
Net effect of derivatives held for risk management purposes	(1,835)	(681)	(2,813)	(5,658)				
Liquidity gap	(180,487)	45,772	131,501	174,012	5,692			
Cumulative liquidity gap	(180,487)	(134,715)	(3,214)	170,798	176,490			

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***33 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
Amounts due from credit institutions	1,161	347	3,787	1,100	-	-	6,395	6,304
Loans to customers	70,964	141,990	542,253	558,278	112,691	-	1,426,176	1,150,200
Investment securities	3,321	16,183	11,113	35,205	-	-	65,822	62,755
Total fixed interest bearing financial assets	156,883	158,520	557,153	594,583	112,691		1,579,830	1,300,696
Non-interest bearing financial assets								
Cash and cash equivalents	511,923	-	-	-	-	-	511,923	511,923
Amounts due from credit institutions	139,733	19	-	-	-	-	139,752	139,752
Investment securities	-	-	-	-	-	1,088	1,088	1,088
Other financial assets	-	16,354	-	-	-	-	16,354	16,354
Total non-interest bearing financial assets	651,656	16,373	-	-	-	1,088	669,117	669,117
Total non-derivative financial assets	808,539	174,893	557,153	594,583	112,691	1,088	2,248,947	1,969,813

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***33 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
Term deposits from customers	48,350	149,916	359,117	89,360	10,800	-	657,543	628,911
Issued bonds	-	15,744	20,744	-	-	-	36,488	35,719
Other borrowed funds	21,306	9,157	84,554	177,943	82,212	-	375,172	322,819
Lease liabilities	148	296	1,333	2,449	-	-	4,226	4,232
Total fixed interest bearing financial liabilities	70,678	175,113	466,948	269,752	93,012	-	1,075,503	993,755
Variable interest rate instruments								
Subordinated borrowings	260	521	2,344	12,501	29,177	-	44,803	29,899
Total variable interest bearing financial liabilities	260	521	2,344	12,501	29,177	-	44,803	29,899
Non-interest bearing instruments								
Amounts due to credit institutions	2,935	-	-	-	-	-	2,935	2,935
Current accounts and demand deposits from customers	844,058	-	-	-	-	-	844,058	844,058
Other financial liabilities	9,168	-	-	-	-	-	9,168	9,168
Guarantees issued and similar commitments	72,293	-	-	-	-	-	72,293	72,293
Commitments on loans and unused credit lines	13,205	-	-	-	-	-	13,205	13,205
Total non-interest bearing financial liabilities and commitments	941,659	-	-	-	-	-	941,659	941,659
Total financial liabilities and commitments	1,012,597	175,634	469,292	282,253	122,189	-	2,061,965	1,965,313
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	(206,131)	(1,565)	83,392	303,453	(9,498)	-	-	-
Cumulative liquidity gap	(206,131)	(207,696)	(124,304)	179,149	169,651	-	-	-

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024**

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

34. Capital Risk Management

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

The objectives of management when managing the Bank's and Group's capital are (i) to comply with the capital requirements set by the CBAR and (ii) to safeguard the Group'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 2023: AZN 50,000 thousand); (b) maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") at or above a prescribed minimum of 10% (31 December 2023:10%) and (c) maintain a ratio of Tier-1 capital to the risk-weighted assets (the 'Tier-1 capital ratio') at or above the prescribed minimum of 5% (31 December 2023: 5%).

As at 30 June 2024, the Bank was in compliance with all these ratios except for maximum credit exposure of a Bank per a single borrower or a group of related borrowers of the Bank's Tier 1 capital on "unsecured loan ratio", which was 28.18% (2023: 37.48%), whereas the ratio should not exceed 10%, and "total unsecured and secured loan ratio", which was 28.18% (2023: 37.48%), 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 Group in accordance with the prudential regulations set by the CBAR was as follows:

	30 June 2024	31 December 2023
Total regulatory capital	184,809	165,910
Risk-weighted assets	1,409,332	1,389,718
Capital adequacy ratio	13.11%	11.94%

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

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024**

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

35. Commitments and Contingencies

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

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

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

As at 30 June 2024 and 31 December 2023, credit-related commitments comprise:

	30 June 2024	31 December 2023
Credit-related commitments		
Commitments on loans and unused credit lines	26,475	13,205
Guarantees issued and similar commitments	71,537	72,293
Total credit-related commitments, gross	98,012	85,498
Less: provisions for credit related commitments	(347)	(272)
Total credit related commitments, net of provision	97,665	85,226

Legal proceedings

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

Taxation

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

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

Operating environment

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

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

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***35 Commitments and Contingencies (Continued)****Compliance with covenants**

The Group has agreed to comply with certain financial and business covenants in various financing and similar agreements. As at 30 June 2024, the Group was in full compliance with all covenants.

36. Non-Controlling Interest

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

	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Period ended 30 June 2024						
Baki Sigorta OJSC	The Republic of Azerbaijan	6.7%	6.7%	71	798	-
Year ended 31 December 2023						
Baki Sigorta OJSC	The Republic of Azerbaijan	20.6%	20.6%	44	1,347	-

The summarised financial information of the subsidiary was as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss)	Total comprehensive income/(loss)	Cash flows
Period ended 30 June 2024								
Baki Sigorta OJSC	8,942	1,653	2,205	351	2,150	544	544	289
Year ended 31 December 2023								
Baki Sigorta OJSC	1,221	226	301	48	293	71	71	39
Year ended 31 December 2023								
Baki Sigorta OJSC	8,535	2,262	2,948	355	5,654	214	214	57
Baki Sigorta OJSC	1,758	466	607	73	1,165	44	44	12

The Group acquired additional shares from non-controlling interest increasing its ownership interest to 93.3%.

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***37. Related Party Transactions**

Transactions between entities in the Group have been eliminated on consolidation and are not disclosed in this Note. The outstanding balances and the related average effective interest rates as at 30 June 2024 and related profit or loss amounts of transactions for the period ended 30 June 2024 with related parties are as follows:

	Shareholders		Entities under common control		Key management personnel of the Group		Total amount
	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	
Condensed consolidated interim statement of financial position							
ASSETS							
Loans to customers							
Gross balance	6	24%	5,854	13% LCY 16.7% FCY	920	9.8%	6,780
Loss allowance	-		(48)		(15)		(63)
LIABILITIES							
Current accounts and deposits from customers	1,701		1,726		1,167	9.5% LCY 2.8% FCY	4,594
Items not recognised in the condensed consolidated interim statement of financial position							
Guarantees given (expires in 3 months)	-		-		-		-
Commitments on loans and unused credit lines	24		656		38		718
Profit / (loss)							
Interest income	-		221		33		254
Interest expense	-		-		(17)		(17)
Fee and commission expense	(4)		-		(4)		(8)
Recovery of impairment/(Impairment losses)	-		(41)		(6)		(47)
Operating expenses	(18)		-		(3,213)		(3,231)

Shareholders with more than 20% ownership of the Group'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 Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***37 Related Party Transactions (Continued)**

The outstanding balances and the related average effective interest rates as at 31 December 2023 and related profit or loss amounts of transactions for the period ended 30 June 2023 with related parties are as follows:

	Shareholders		Entities under common control		Key management personnel of the Group		Total amount
	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	
Consolidated statement of financial position							
ASSETS							
Loans to customers							
Gross balance	-	-	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		1,888		1,696	9.1% LCY 2.9% FCY	3,713
Items not recognised in the consolidated statement of financial position							
Guarantees given (expires in 3 months)	-		2		-		2
Commitments on loans and unused credit lines	-		595		93		688
Profit / (loss)							
Interest income	16		90		49		155
Interest expense	-		-		(8)		(8)
Fee and commission expense	(1)		-		(10)		(11)
Recovery of impairment/(Impairment losses)	9		(8)		87		88
Operating expenses	-		-		(3,185)		(3,185)

Total remuneration included in personnel expenses for the periods ended 30 June 2024 and 30 June 2023 is as follows:

	2024	2023
Short-term employee benefits	2,788	2,776
Pension and other contributions	443	409
	3,231	3,185

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

38. Fair Values Disclosures

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

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

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

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

The table below analyses financial instruments measured at fair value at 30 June 2024, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the condensed consolidated interim statement of financial position:

	Level 1	Level 3	Total
Investment securities designated as at FVOCI - equity instruments	-	1,087	1,087
Derivative assets	-	3,115	3,115
Derivative liabilities	-	(2,213)	(2,213)

The table below analyses financial instruments measured at fair value at 31 December 2023, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the consolidated statement of financial position:

	Level 1	Level 3	Total
Investment securities designated as at FVOCI - equity instruments	-	1,088	1,088
Derivative assets	-	3,825	3,825
Derivative liabilities	-	(2,943)	(2,943)

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

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***38 Fair Values Disclosures (Continued)**

The following table shows a reconciliation for the period ended 30 June 2024 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 period	3,825	(2,943)	1,088	1,970
Gains or losses recognised in profit or loss for the period	(710)	730	-	20
Effect of changes in exchange rates	-	-	(1)	(1)
Balance at end of the period	3,115	(2,213)	1,087	1,989

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

	Level 3			Total
	Financial instruments at fair value through profit or loss		Financial instruments at fair value through other comprehensive income	
	Derivative assets	Derivative liabilities	Equity investments	
Balance at beginning of the year	2,945	(2,102)	1,087	1,930
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)	1,088	1,970

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

Bank Respublika OJSC**Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2024***(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)***38 Fair Values Disclosures (Continued)**

As at 30 June 2024, to determine the fair value of the swaps, management assumed interest rates within the range of 6.35%-8.16% and 4.51%-5.56% in AZN and USD, respectively (31 December 2023: within the range of 3.60%-7.83% and 3.77%-5.56% in AZN and USD, respectively).

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

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized as at 30 June 2024:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
ASSETS					
Investment securities	-	52,160	-	52,160	52,664
Amounts due from credit institutions	-	168,196	-	168,196	167,598
Loans to customers	-	-	1,229,911	1,229,911	1,220,790
LIABILITIES					
Current accounts and deposits from customers:	-	-	-	1,513,668	1,517,311
- Current accounts and demand deposits	-	778,002	-	778,002	778,002
- Term deposits	-	-	735,666	735,666	739,309
Subordinated borrowings	-	-	37,796	37,796	33,314
Other borrowed funds	-	354,361	-	354,361	360,018

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized as at 31 December 2023:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
ASSETS					
Investment securities	26,371	35,365	-	61,736	62,755
Amounts due from credit institutions	-	146,737	-	146,737	146,056
Loans to customers	-	-	1,165,067	1,165,067	1,150,200
LIABILITIES					
Current accounts and deposits from customers:	-	-	-	1,472,969	1,472,969
- Current accounts and demand deposits	-	844,058	-	844,058	844,058
- Term deposits	-	-	628,911	628,911	628,911
Subordinated borrowings	-	-	31,813	31,813	29,899
Other borrowed funds	-	319,822	-	319,822	322,819

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

38 Fair Values Disclosures (Continued)

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

As at 30 June 2024, to determine the fair value of financial instruments not measured at fair value, management used interest rates within the range of 16%-18% and 5%-6% in AZN and foreign currencies, respectively for loans to customers (31 December 2023: range of 15%-19% and 5%-6% in AZN and foreign currencies, respectively), and within the range of 6.4%-9.4% and 2.6%-2.9% in AZN and foreign currencies, respectively for deposits from customer (31 December 2023: within range of 6.5%-9.5% and 1%-3% in AZN and foreign currencies, respectively).

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

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

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

38 Fair Values Disclosures (Continued)

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.

39. Events after the End of the Reporting Period

Financing activities. On 19 July 2024, and 22 July 2024, the Group signed two non-deliverable cross-currency swap agreements with MFX Solutions, Inc., with notional amounts of AZN 17,000 thousand and AZN 15,300 thousand accordingly. These agreements mature on 19 July 2028, and 21 July 2028, respectively. The agreements carry interest rates of 3.78% and 3.76%, with semi-annual payments beginning on 19 January 2025, and 22 January 2025.

On 22 August 2024, the Group entered into two non-deliverable cross-currency swap agreements with FCC Securities B.V., each with a notional amount of AZN 25,500 thousand and an annual interest rate of 4.30%. The agreements are effective from 23 August 2024, and 26 August 2024, respectively. Interest payments are due quarterly, starting 23 November 2024, and 26 November 2024, with the agreements set to terminate on 23 August 2028, and 26 August 2028, respectively.