“Xalq Bank” Open Joint Stock Company

The International Financial Reporting Standards
Consolidated Financial Statements and Independent Auditors’ Report

For the year ended 31 December 2024

Independent Auditors' Report

Consolidated Financial Statements for the year ended 31 December 2024

Notes to the Consolidated Financial Statements

KPMG Audit Azerbaijan LLC
Port Baku South Tower
Neftchilar Avenue, 153
Baku, Azerbaijan AZ1010
+994 12 404 89 10

Independent Auditors' Report

To the Shareholders and Supervisory Board of "Xalq Bank" Open Joint Stock Company

Opinion

We have audited the consolidated financial statements of "Xalq Bank" Open Joint Stock Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA code*) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Azerbaijan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2023 were audited by other auditors who expressed an unmodified opinion on those statements on 20 May 2024.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner on the audit resulting in this independent auditors' report is:

"KPMG Audit Azərbaycan" Məhdud Məsuliyyətli Cəmiyyəti
KPMG
"KPMG Audit Azerbaijan" Limited Liability Company

Nasiba Muradkhanova

KPMG Audit Azerbaijan LLC

Baku, the Republic of Azerbaijan

16 May 2025

"Xalq Bank" Open Joint Stock Company

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024
(in Azerbaijan manats)

	Notes	2024	2023
Interest income	6	181,273,536	158,885,269
Interest expense	6	(49,450,983)	(32,375,155)
Net interest income		**131,822,553**	**126,510,114**
Credit loss expense on interest bearing assets	7	(6,346,664)	(4,144,962)
Net interest income after credit loss expense		**125,475,889**	**122,365,152**
Fee and commission income	8	30,013,012	24,151,899
Net gain on foreign exchange operations	9	6,539,996	5,033,971
Net gain on precious metals operations	10	3,406,393	2,076,695
Net loss on sale of investment securities		(29,715)	(474,280)
Other income	11	18,775,609	11,748,281
Non-interest income		**58,705,295**	**42,536,566**
Personnel expenses	12	(49,210,295)	(37,685,693)
General and administrative expenses	12	(23,578,719)	(21,247,467)
Fee and commission expense	8	(20,004,247)	(14,735,373)
Depreciation and amortisation	18,20	(8,458,496)	(8,986,178)
(Provision) / recovery of provision for impairment losses on guarantees and other commitments	26	(572,975)	888,257
Non-interest expense		**(101,824,732)**	**(81,766,454)**
Profit before income tax		**82,356,452**	**83,135,264**
Income tax expense	13	(16,498,438)	(18,493,800)
Profit and total comprehensive income for the year		**65,858,014**	**64,641,464**
Attributable to:			
- shareholders of the Bank		65,846,574	64,637,064
- non-controlling interest		11,440	4,400
		65,858,014	**64,641,464**

Approved for issue and signed on behalf of the Management Board on 15 May 2025.

Chairman
Mr. Kamran Majidov

Chief Accountant
Mrs. Tamilla Asadova

The accompanying notes on pages 9 to 75 form an integral part of these consolidated financial statements

Consolidated statement of financial position as at 31 December 2024
(in Azerbaijan manats)

	Notes	31 December 2024	31 December 2023*
Assets			
Cash and cash equivalents	14	461,246,383	312,984,769
Precious metals		15,396,404	12,940,899
Amounts due from credit institutions	15	270,611,583	295,969,758
Loans to customers	16	1,862,865,614	1,810,289,311
Investment securities – not pledged	17	185,730,799	459,272,012
Investment securities– pledged under repurchase contract	17	104,900,000	-
Property, equipment and right-of-use assets	18	62,889,070	82,239,965
Investment properties	19	8,750,000	8,065,000
Intangible assets	20	5,627,276	6,116,307
Deferred income tax asset	13	3,753,029	-
Other assets	21	60,003,816	59,688,769
Total assets		**3,041,773,974**	**3,047,566,790**
Liabilities			
Amounts due to banks	22	308,742,720	33,558,791
Customer accounts	23	1,943,506,433	2,252,003,835
Term borrowings	24	252,667,329	240,140,815
Current income tax liability		8,414,413	9,612,764
Deferred income tax liability	13	1,046,116	562,631
Lease liability	25	7,705,097	455,834
Other liabilities	26	18,615,161	15,931,964
Total liabilities		**2,540,697,269**	**2,552,266,634**
Equity			
Share capital	27	415,596,744	364,772,544
Retained earnings		85,267,358	130,326,449
Fair value reserve on investment securities		84,000	84,000
Total equity attributable to shareholders of the Bank		**500,948,102**	**495,182,993**
Non-controlling interest		128,603	117,163
Total equity		**501,076,705**	**495,300,156**
Total liabilities and equity		**3,041,773,974**	**3,047,566,790**

* See note 2 for information regarding the change in comparative figures.

“Xalq Bank” Open Joint Stock Company

Consolidated statement of changes in equity for the year ended 31 December 2024
(in Azerbaijan manats)

	Share capital	Retained earnings	Fair value reserve on investment securities	Non-controlling interest	Total equity
1 January 2023	**364,772,544**	**94,768,088**	**84,000**	**112,763**	**459,737,395**
Profit and total comprehensive income for the year	-	64,637,064	-	4,400	**64,641,464**
Dividends to shareholders of Bank (Note 27)	-	(29,078,703)	-	-	**(29,078,703)**
31 December 2023	**364,772,544**	**130,326,449**	**84,000**	**117,163**	**495,300,156**
Profit and total comprehensive for the year	-	65,846,574	-	11,440	**65,858,014**
Transfer from Retained earnings to Share Capital (Note 27)	50,824,200	(50,824,200)			**-**
Dividends to shareholders of Bank (Note 27)	-	(60,081,465)	-	-	**(60,081,465)**
31 December 2024	**415,596,744**	**85,267,358**	**84,000**	**128,603**	**501,076,705**

“Xalq Bank” Open Joint Stock Company

Consolidated statement of cash flows for the year ended 31 December 2024
(in Azerbaijan manats)

	Notes	2024	2023*
Cash flows from operating activities:			
Profit before income tax		82,356,452	83,135,264
Adjustments for:			
Credit loss expense on interest bearing assets	7	6,346,664	4,144,962
Provision/(recovery of provision) for impairment losses on guarantees and other commitments		572,975	(888,257)
Net unrealised gain/(loss) arising from changes in foreign currency exchange rates	9	40,558	(18,169)
Net unrealised gain arising from changes on precious metals operations		(3,400,015)	(2,066,998)
Depreciation and amortization	18,20	8,458,496	8,986,178
Gain on revaluation of investment property	19	(685,000)	(208,990)
Gain on disposal of property and equipment		(1,880,973)	(176,031)
Change in interest accruals, net		1,046,488	144,999
Cash flows from operating activities before changes in operating assets and liabilities		**92,855,645**	**93,052,958**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Precious metals		944,510	9,190,384
Amounts due from credit institutions		23,703,401	(77,860,882)
Loans to customers		(61,921,442)	(105,581,965)
Other assets		5,340,452	19,223,367
Increase/(decrease) in operating liabilities:			
Amounts due to banks		274,879,988	(98,093,118)
Customer accounts		(306,282,562)	431,254,495
Other liabilities		1,909,438	1,270,836
Cash inflow from operating activities before taxation		**31,429,430**	**272,456,075**
Income tax paid		(20,966,333)	(8,868,021)
Net cash inflow from operating activities		**10,463,097**	**263,588,054**
Cash flows from investing activities:			
Purchase of property, equipment and intangible assets	18,20	(7,972,342)	(31,924,211)
Proceeds from disposal of property and equipment		26,225,829	9,966,154
Purchase of investment securities		(192,117,225)	(509,179,660)
Proceeds from sale of investments securities		360,668,075	246,285,737
Investment property improvements	19	-	(24,010)
Net cash inflow/(outflow) from investing activities		**186,804,337**	**(284,875,990)**
Cash flows from financing activities:			
Proceeds from term borrowings	24	47,287,918	43,807,518
Repayment of term borrowings	24	(34,901,359)	(32,798,985)
Payment of lease liability	25	(970,999)	(531,738)
Dividends paid to shareholders of the Bank		(60,081,465)	(29,078,703)
Net cash outflow from financing activities		**(48,665,905)**	**(18,601,908)**
Effect of foreign exchange rate changes on cash and cash equivalents		(57,783)	18,169
Effect of expected credit losses on cash and cash equivalents		(282,132)	-
Net increase/(decrease) in cash and cash equivalents		**148,261,614**	**(39,871,675)**
Cash and cash equivalents, beginning of year		312,984,769	352,856,444
Cash and cash equivalents, end of year	14	**461,246,383**	**312,984,769**

* See note 2 for information regarding the change in comparative figures.

Interest paid and received by the Group in cash during the year ended 31 December 2024 amounted to AZN 48,770,702 (2023: 27,720,062) and AZN 179,560,884 (2023: 154,414,419), respectively.

1. Background

Xalq Bank is an open joint stock company which was established on 24 December 2004 in accordance with establishment agreement and was registered by the Central Bank of Azerbaijan Republic on 27 December 2004. The address of its registered office is 22L Inshaatchilar Avenue, Baku, AZ 1006, Azerbaijan. The Bank is regulated by the Central Bank of Azerbaijan Republic (the “CBAR”) and conducts its business under the general banking license number 246. The principal business activity of the Bank is commercial and retail banking operations within the Republic of Azerbaijan. As at 31 December 2024 the Bank has 30 branches (31 December 2023: 30 branches) within the Republic of Azerbaijan. The number of employees of the Bank as at 31 December 2024 was 1076 (31 December 2023:964).

The Bank participates in the state deposit insurance scheme, which was introduced by the “Law on Deposit Insurance” dated December 29, 2006. The Azerbaijan Deposit Insurance Fund guarantees repayment of 100% of individual deposits meeting the following criteria: According to the Law of the Republic of Azerbaijan on “Deposit Insurance”, insured deposit is the part of a protected deposit that will be compensated by the Deposit Insurance Fund in case of an insurance incident that occurred in the participant bank where a depositor is serviced. Starting from June 1, 2020, the maximum annual interest rate on protected deposits in the national currency is set at 12%, and in foreign currency - 2.5%. Starting from April 5, 2021, in case of an insurance incident each depositor is entitled to receive compensation from the Deposit Insurance Fund for the full amount of deposit agreement, but not exceeding AZN 100,000 for individuals. For deposits on bank accounts of entrepreneurs, the compensation amount is limited to AZN 20,000.

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

	31 December 2024	**31 December 2023**
	Ownership interest, %	**Ownership interest, %**
Ideal Biznes Ko LLC	50.00	50.00
Yevro Standart LLC	33.85	33.85
Foton LLC	16.15	16.15
Total	**100.00**	**100.00**

As at 31 December 2024, the Bank is ultimately owned by Mrs. Leyla Aliyeva, Mrs. Arzu Aliyeva and Mr. Arif Pashayev (31 December 2023: Mrs. Leyla Aliyeva, Mrs. Arzu Aliyeva and Mr. Arif Pashayev), who exercise joint control over the Bank. See Note 29.

The Bank is a parent company of a banking group (the “Group”) which consists of the following subsidiaries consolidated in the financial statements:

		The Bank ownership interest/ voting rights		
Name	**Country of operation**	**2024**	**2023**	**Type of operation**
Xalq Kapital Investment Company CJSC	*The Republic of Azerbaijan*	100%	100%	*Securities market transactions*
Baki Ayaqqabi -2 OJSC	*The Republic of Azerbaijan*	98.45%	98.45%	*Dormant*
Xalq Property LLC	*The Republic of Azerbaijan*	100%	100%	*Property management*

“Xalq Kapital Investment Company” CJSC is a close joint stock company registered in the Republic of Azerbaijan on 17 August 2007. The company’s principal activity is operations with securities, broker and dealer operations.

“Baki Ayaqqabi -2” OJSC is an open joint stock company registered in the Republic of Azerbaijan in December 1980. The Company’s principal activity had been the manufacture of footwear. The Company has not been functioning since June 1999. The Group has acquired the controlling interest in the Company’s capital with the primary purpose of using it as investment property. The Group’s management is still uncertain of the detailed plans regarding the Company.

“Xalq Emlak” LLC is a limited liability company registered in the Republic of Azerbaijan on 24 August 2021. The company’s principal activity is real estate management.

These consolidated financial statements of “Xalq Bank” OJSC (the “Bank”) and its subsidiaries (together referred to as the “Group”) for the year ended 31 December 2024 have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Business environment

The Group’s operations are primarily located in Azerbaijan. Consequently, the Group is exposed to the economic and financial markets of Azerbaijan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Azerbaijan. The ongoing military conflict between the Russian Federation and Ukraine has further increased uncertainty in the business environment.

The consolidated financial statements reflect management’s assessment of the impact of the Azerbaijani business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

2. Material accounting policies

The Group has consistently applied the following material accounting policies to all periods presented in these consolidated financial statements.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, financial instruments categorized at fair value through profit or loss (“FVTPL”) and at fair value through other comprehensive income (“FVOCI”), investment properties measured at fair value through profit or loss (“FVTPL”), precious metals measured at fair value less cost to sell and assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. These consolidated financial statements have been prepared assuming that the Group is a going concern and will continue in operation for the foreseeable future. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the consolidated financial statements are disclosed in Note 3.

Changes in presentation of comparative figures

As at 31 December 2023 comparative information is reclassified in order to give a clearer presentation of the business and its operations:

Customer deposits amounting AZN 220,037,313, previously presented as Amounts due to banks and other government agencies are reclassified to Customer accounts due to their nature.

Long-term borrowings from financial institutions amounting AZN 240,140,815, previously presented as Amount due to banks and government agencies are reclassified to a new financial statement line, Term borrowings.
Lease liability amounting AZN 455,834, previously presented within Other liabilities is reclassified to a new financial statement line, Lease liability.

Fee and commission income amounting AZN 2,462,274, previously presented as Interest income is reclassified to Fee and commission income.

Fee and commission expense amounting AZN 1,175,520, previously presented as Interest expense is reclassified to Fee and commission expense.

Other income amounting AZN 8,258,428, previously presented as gain on remeasurement of other assets, is reclassified to other income.

The following table summarizes the impact from the above retrospective changes to the Group's consolidated financial statements:

31 December 2023	**As previously reported**	**Reclassification amount**	**After adjustments**
Consolidated statement of financial position			
Amounts due to banks	(493,736,919)	460,178,128	(33,558,791)
Customer accounts	(2,031,966,522)	(220,037,313)	(2,252,003,835)
Term borrowings	-	(240,140,815)	(240,140,815)
Lease liability	-	(455,834)	(455,834)
Other liabilities	(16,387,798)	455,834	(15,931,964)
Consolidated statement of profit or loss and other comprehensive income			
Interest income	161,347,543	(2,462,274)	158,885,269
Interest expense	(33,550,675)	1,175,520	(32,375,155)
Net fee and commission income	8,129,772	(8,129,772)	-
Fee and commission income	-	24,151,899	24,151,899
Fee and commission expense	-	(14,735,373)	(14,735,373)
Other income	(3,489,853)	(8,258,428)	(11,748,281)
Gain on remeasurement of other assets	(8,258,428)	8,258,428	-
Consolidated statement of cash flows			
Adjustments for:			
Gain on disposal of property and equipment	(1,200,105)	1,024,074	(176,031)
Recovery of provision for impairment losses on non-interest bearing assets	(8,258,428)	8,258,428	-
Net unrealised gain arising from changes on precious metals operations	-	(2,066,998)	(2,066,998)
Increase/(decrease) in operating liabilities or (increase)/decrease in operating assets:			
Amounts due to banks	132,952,728	(231,045,846)	(98,093,118)
Customer accounts	211,217,182	220,037,313	431,254,495
Other liabilities	1,157,376	113,460	1,270,836
Other assets	27,481,796	(8,258,429)	19,223,367
Precious metals	7,123,386	2,066,998	9,190,384
Cash flow from investing activities:			
Net changes in investment securities	(262,893,923)	262,893,923	-
Purchase of investment securities	-	(509,179,660)	(509,179,660)
Proceeds from sale of investments securities	-	246,285,737	246,285,737
Proceeds from disposal of property and equipment	10,990,227	(1,024,073)	9,966,154
Purchase of property, equipment and intangible assets	(32,342,489)	418,278	(31,924,211)
Cash flow from financing activities:			
Proceeds from term borrowings	-	43,807,518	43,807,518
Repayment of term borrowings	-	(32,798,985)	(32,798,985)
Payment of lease liability	-	(531,738)	(531,738)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) made up to 31 December each year. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiaries are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement in the period of acquisition. The minority interest is stated at the minority’s proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent. The equity attributable to equity holders of the parent and net income attributable to minority shareholders’ interests are shown separately in the consolidated statement of financial position and income statement, respectively.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

The difference, if any, between the carrying amount of minority interest and the amount received on its purchase is recognized in equity attributable to the equity holders of the parent.

Fair value measurement

The Group measures financial instruments carried at FVPL and FVOCI and non-financial assets such as investment property at fair value at each balance sheet date. Precious metals are carried at fair value less cost to sell.

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

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Group commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

Group classifies all of its financial assets based on the business model for managing the assets and the asset’s contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.

The Group classifies and measures its derivative and trading portfolio at FVPL. The Group may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions, loans to customers, investments securities at amortised cost

Group only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group’s assessment.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group’s original expectations, the Group does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Financial guarantees, letters of credit and undrawn loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group’s liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the consolidated statement of profit or loss, and an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. The Group chose to account for performance guarantees within the scope of IFRS 9.

Reclassification of financial assets and liabilities

Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group changes the business model for managing financial assets.
Financial liabilities are never reclassified. The Group did not reclassify any of its financial assets and liabilities in 2024.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, presented within interest income calculated using EIR in the consolidated statement of profit or loss, to the extent that an impairment loss has not already been recorded.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and
- The Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

Financial assets are written off either partially or in their entirety only when the Group does not expect the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.
Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.
Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on corresponding accounts and term deposits with the Central Bank of the Republic of Azerbaijan (the "CBAR") with original maturity of less or equal to 90 days, notes issued by the Central Bank of the Republic of Azerbaijan (the "CBAR") up to 90 days and amounts due from credit institutions with original maturity of less or equal to 90. Cash and cash equivalents are carried at amortized cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Precious metals

Assets and liabilities denominated in gold and other precious metals are translated at the current rate computed based on the Central Bank rate effective at the date. Changes in the bid prices are recorded in net gain on operations with precious metals.

Due from other banks

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

Investment properties

Investment property comprises land or buildings, which are held in order to earn rentals or for capital appreciation or both, and which are not occupied by the companies in the Group or otherwise held for sale. Property held under operating lease is classified as investment property if, and only if, it meets the definition of an investment property. Investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the property. If this information is not available, the Group uses alternative valuation methods such as discounted cash flow projections. Changes in the fair value of investment property are recorded in the income statement.

Repossessed collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed collateral is initially recognized at an amount equal to the carrying amount of a loan for which it was pledged. Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell.

Intangible assets

Intangible assets acquired separately. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are 10 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

Premises, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and amortization and any recognized impairment loss. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property, equipment and amortization of intangible assets is charged on their historical cost and is designed to write off assets over their useful lives.

It is calculated on a straight line basis at the following annual rates:

Building	3.3%
Furniture and equipment	25%
Computers	25%
Vehicles	15%
Other equipment	20%
Intangible assets	10%

The carrying amounts of property, equipment and intangible assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. Impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Taxation

Income tax expense comprises current and deferred taxation. Income tax expense for the current period is determined on the basis of the taxable profit received in the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax is reported using the balance sheet liability method and represents income tax assets and liabilities on the temporary difference between the carrying value of assets and liabilities and the respective tax base. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the respective deferred tax assets can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in transactions that affect neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that a related tax benefit will be realized sufficient for full or partial recovery of the asset.

Deferred tax assets and liabilities are offset by the Group with the resulting difference reported in the financial statements if:

- The Group has a legally enforceable right to set off the current tax assets and current tax liabilities; and
- Deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority on the same taxpayer.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized.
Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Amounts due to banks and customer accounts

Amounts due to banks and customer accounts are initially recognized at fair value. Subsequently amounts due are stated at amortized cost and any difference between carrying and redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Repurchase and reverse repurchase contracts

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within due to banks and other financial institutions or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within due from banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Term borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions and government organizations. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

Customer accounts

Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortized cost.

Deposits

The Group classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits are initially measured at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortised cost under the effective interest method, except where the Group designates liabilities at FVTPL.

Lease

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term.

If the ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital. Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under International Accounting Standard 10 “Events after the reporting period” (“IAS 10”) and disclosed accordingly.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

The Group calculates interest income on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.
EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Group calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest income on all financial assets at FVPL is recognised using the contractual interest rate.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income on guarantees and letters of credit. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

A contract with a customer that results in a recognized financial instrument in the Bank’s financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Fee income earned at a point in time

Fees arising from settlement and cash operations are recognized upon completion of the underlying transactions. Each cash operation and settlement operation is treated as a separate performance obligation.

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

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, provision of overdraft facilities, foreign currency transactions, credit card and servicing fee. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when transaction takes place.	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Guarantee and letter of credit issuance	The Bank issues guarantees and letters of credit to its customers.	Revenue from fees on issuance of guarantees and letters of credit is recognized over the period until maturity date of such contracts.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Azerbaijan Manats at the appropriate spot rates of exchange ruling at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

The exchange rates at the year end used by the Group in the preparation of the consolidated financial statements are as follows:

31 December 2024	**31 December 2023**
USD 1 = AZN 1.7000	USD 1 = AZN 1.7000
EUR 1 = AZN 1.7724	EUR 1 = AZN 1.8766
GBP 1 = AZN 2.1382	GBP 1 = AZN 2.1643

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

Staff costs and related contributions

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

3. Critical accounting estimates and judgements in applying accounting policies

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

Measurement of ECL allowance. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 30. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. For details of ECL measurement including incorporation of forward-looking information refer to Note 30.

Significant increase in credit risk (“SICR”). In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition.

The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Group considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioral aspects of particular customer portfolios. The Group identifies behavioral indicators of increases in credit risk prior to delinquency and incorporated appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 30.

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

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

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

Assessment whether cash flows are solely payments of principal and interest (“SPPI”). Determining whether a financial asset’s cash flows are solely payments of principal and interest required judgement. The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument’s underlying base interest rate, for example a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument’s cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument.

The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument’s cash flows are not SPPI and the instrument is then carried at FVTPL.

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

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

4. Standard and interpretations issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

a) IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under indirect method.

The Group is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Group's statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as "other".

b) *Other accounting standards*

The following new and amended standards are not expected to have a significant impact on the Group's financial statements.

- Lack of Exchangeability - (Amendments to IAS 21).
- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).

5. Management of capital

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 prudential capital requirements set by the CBAR banks have to: (a) hold the minimum level of total statutory capital of AZN 50,000,000 (31 December 2023: AZN 50,000,000); (b) maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") at or above a prescribed minimum of 12% (31 December 2023: 12%) and (c) maintain a ratio of Tier-1 capital to the risk-weighted assets (the 'Tier-1 capital ratio') at or above the prescribed minimum of 6% (31 December 2023: 6%).

Management considers that the Bank was in compliance with the regulatory requirements as at 31 December, 2024 and 2023. The calculation of capital adequacy based on the prudential reports prepared by the Bank in accordance with the prudential regulations set by the CBAR was as follows:

	31 December 2024, unaudited	**31 December 2023, unaudited**
Total capital	462,970,592	455,766,430
Risk-weighted assets	2,677,117,230	2,672,692,030
Capital adequacy ratio (%)	**17.29%**	**17.05%**

6. Interest income and expense

Net interest income comprise:

	2024	**2023**
Interest income comprises		
Interest on loans to customers	136,601,402	117,404,583
Interest on debt securities	27,089,706	25,014,651
Interest on cash equivalents	14,995,110	12,069,526
Interest on due from banks	2,584,932	4,358,077
Interest on other operations	2,386	38,432
Total interest income on financial assets calculated using the effective interest method	**181,273,536**	**158,885,269**
Interest expense comprises:		
Interest on customer accounts	(36,532,229)	(21,567,038)
Interest on due to banks	(5,690,882)	(5,076,680)
Interest on term borrowings	(6,540,652)	(5,692,193)
Interest on lease liabilities	(610,012)	(39,244)
Interest on other operations	(77,208)	-
Total interest expense on financial liabilities recorded at amortized cost	**(49,450,983)**	**(32,375,155)**
Net interest income before credit loss expense	**131,822,553**	**126,510,114**

7. Credit loss expense on interest bearing assets

The movements in credit loss expense on interest bearing assets were as follows:

	Investment securities	Cash and cash equivalents	Due from banks	Loans to customers	Total
31 December 2022	**(2,521,349)**	**-**	**(557,568)**	**(80,009,945)**	**(83,088,862)**
(Provision) / recovery of provision	849,315	-	156,940	(5,151,217)	(4,144,962)
Write-off of assets	-	-	-	124,691	124,691
Recoveries of amounts previously written off	-	-	-	(172,299)	(172,299)
31 December 2023	**(1,672,034)**	**-**	**(400,628)**	**(85,208,770)**	**(87,281,432)**
(Provision) / recovery of provision	412,381	(282,132)	269,586	(6,746,499)	(6,346,664)
Write-off of assets	-	-	-	1,193,829	1,193,829
Recoveries of amounts previously written off	-		-	(1,211,682)	(1,211,682)
31 December 2024	**(1,259,653)**	**(282,132)**	**(131,042)**	**(91,973,122)**	**(93,645,949)**

8. Fee and commission income and expense

Fee and commission income and expense comprise:

	2024	2023
Fee and commission income:		
Plastic cards operations	15,603,208	11,582,577
Settlements	6,667,964	6,007,997
Cash operations	4,314,655	3,142,264
Guarantee letters	2,834,420	2,582,492
Letters of credit	6,148	8,325
Other	586,617	828,244
Total fee and commission income	**30,013,012**	**24,151,899**
Fee and commission expense:		
Plastic cards operations	(16,130,583)	(11,180,236)
Settlements	(1,590,362)	(1,577,576)
Cash operations	(220,267)	(23,817)
Guarantee letters	(1,101,573)	(1,187,364)
Letters of credit	(2,323)	(671)
Other	(959,139)	(765,709)
Total fee and commission expense	**(20,004,247)**	**(14,735,373)**
Net fee and commission income	**10,008,765**	**9,416,526**

9. Net gain on foreign exchange operations

Net gain on foreign exchange operations comprise:

	2024	2023
Dealing differences, net	6,580,554	5,015,802
Translation differences, net	(40,558)	18,169
Total net gain on foreign exchange operations	**6,539,996**	**5,033,971**

10. Net gain on precious metals operations

Net gain on precious metals operations comprise:

	2024	2023
Translation difference on precious metals	3,400,015	2,066,998
Net dealing gain on precious metals operations	6,378	9,697
Total net gain on precious metals operations	**3,406,393**	**2,076,695**

11. Other income

	2024	2023
Gain on sale of repossessed collateral	11,641,737	9,321,664
Gain on disposal of land and property	1,880,973	176,031
Penalty income from loans to customers	1,822,010	13,600
Rent income	1,741,699	1,523,431
Dividend income	950,000	459,485
Other	739,190	254,070
Total other income	**18,775,609**	**11,748,281**

12. Personnel, general and administrative expenses

Personnel, general and administrative expenses comprise:

	2024	2023
Salaries and bonuses	(40,967,232)	(31,342,558)
Social security costs	(7,170,681)	(5,594,317)
Other employee related expenses	(1,072,382)	(748,818)
Total personnel expenses	**(49,210,295)**	**(37,685,693)**
Payments to the Deposit Insurance Fund of the Republic of Azerbaijan	(6,358,091)	(6,323,621)
Professional services fees	(5,636,672)	(4,248,563)
Taxes, other than income tax	(2,040,867)	(2,289,245)
Repairs and maintenance expenses	(1,841,085)	(1,569,767)
Security expenses	(1,179,229)	(1,291,998)
Advertising and marketing expenses	(1,179,162)	(980,727)
Transportation and business trip expenses	(869,863)	(855,300)
Entertainment	(810,526)	(338,226)
Communications	(672,560)	(629,419)
Utilities	(483,737)	(458,072)
Stationery expenses	(456,111)	(431,522)
Short-term lease expense	(220,712)	(401,884)
Insurance	(328,050)	(342,059)
Other expenses	(1,502,054)	(1,087,058)
Total general and administrative expenses	**(23,578,719)**	**(21,247,461)**

For the year ended 31 December 2024 AZN 374,000 (2023: AZN 106,800) audit fee was included in professional services fees. No non-audit service was performed for the Group by the auditors.

13. Income taxes

(a) Components of income tax expense

Income tax expense comprises the following:

	2024	2023
Current tax charge	(19,767,982)	(15,184,680)
Deferred tax credit/(charge)	3,269,544	(3,309,120)
Income tax expense	**(16,498,438)**	**(18,493,800)**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Group's income is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

	2024	2023
Profit before income tax	**82,356,452**	**83,135,264**
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	**(16,471,290)**	**(16,627,053)**
Tax effect of items which are not deductible or assessable for taxation purposes		
Non-deductible expenditures	(27,148)	(1,868,644)
Other	-	1,897
Income tax expense	**(16,498,438)**	**(18,493,800)**

(c) Deferred taxes analyzed by type of temporary difference

Differences between IFRS Accounting Standards and Azerbaijan statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20%.

	1 January 2024	Charged to profit or loss	31 December 2024
Tax effect of deductible/(taxable) temporary differences			
Lease Liability	91,167	1,449,853	1,541,020
Investment securities	334,407	(82,476)	251,931
Amounts due from credit institutions	80,125	(53,917)	26,208
Other assets	(113,109)	(144,461)	(257,570)
Other liabilities	371,543	231,228	602,771
Property, equipment and right-of use assets	(1,372,675)	341,482	(1,031,193)
Precious metals	(1,796,479)	(533,432)	(2,329,911)
Loans to customers	1,608,034	2,111,613	3,719,647
Intangible assets	248,215	30,228	278,443
Amount due to banks	(13,859)	-	(13,859)
Cash and cash equivalents	-	56,426	56,426
Investment properties	-	(137,000)	(137,000)
Net deferred income tax asset/(liability)	**(562,631)**	**3,269,544**	**2,706,913**

	1 January 2023	Charged to profit or loss	31 December 2023
Tax effect of deductible/(taxable) temporary differences			
Investment securities	483,270	(169,863)	313,407
Amounts due from credit institutions	111,514	(31,388)	80,126
Other assets	2,237,134	(1,737,876)	499,258
Other liabilities	851,256	288,348	1,139,604
Property, equipment and right-of use assets	(2,820,750)	109,792	(2,710,958)
Precious metals	(2,715,294)	918,815	(1,796,479)
Loans to customers	4,108,230	(2,500,197)	1,608,033
Intangible assets	243,456	4,759	248,215
Amount due to banks	-	(13,859)	(13,859)
Provision for impairment Losses on other operations	247,673	(177,651)	70,022
Net deferred income tax asset/(liability)	**2,746,489**	**(3,309,120)**	**(562,631)**

In the context of the Group’s current structure and Azerbaijan tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

The composition of the total net deferred tax asset of the Group after offsetting within the individual entities comprising the Group is, as follows:

	31 December 2024	31 December 2023
Deferred income tax asset	3,753,029	-
Deferred income tax liability	(1,046,116)	(562,631)
Total net deferred income tax asset	**2,706,913**	**(562,631)**

14. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2024	31 December 2023
Cash on hand	44,929,837	58,396,642
Balances with the Central Bank of Azerbaijan Republic	26,691,999	58,587,010
Correspondent accounts with other banks		
rated A- to A+ (Fitch Ratings)	303,733,370	24,635,657
rated BBB- to BBB+ (Fitch Ratings)	1,454,076	1,603,130
rated below BBB- (Fitch Ratings)	1,536,663	513,370
not rated	-	-
Time deposits with other credit institutions up to 90 days	83,182,570	88,219,710
Time deposits with Central Bank of Azerbaijan Republic up to 90 days	-	81,029,250
Less: Impairment allowance	(282,132)	-
Total cash and cash equivalents	**461,246,383**	**312,984,769**

As at 31 December 2024 and 2023 accrued interest income included in cash and cash equivalents amounted to AZN 1,114,076 and AZN 575,235 respectively.

As at 31 December 2024 the Group had 2 banks (31 December 2023: one bank), with balances exceeding 10% of total cash and cash equivalents. The gross value of these balances as at 31 December 2024 is AZN 498,912,223 (31 December 2023: AZN 248,533,168).

For the purpose of ECL measurement cash and cash equivalent balances are included in Stage 1 with no overdue days. The ECL for balances in the prior year represented an insignificant amount, therefore the Group did not create any credit loss allowance for cash and cash equivalents.

All term deposits with other credit institutions up to 90 days are within the range of BB- and A+.

15. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2024	31 December 2023
Obligatory reserve with the CBAR	179,052,675	189,946,157
Loans and term deposits with other banks	43,864,063	58,693,699
Restricted deposits	47,825,887	47,730,530
	270,742,625	**296,370,386**
Less: allowance for impairment	(131,042)	(400,628)
Total amounts due from credit institutions	**270,611,583**	**295,969,758**

As at 31 December 2024 and 2023 accrued interest income included in amounts due from credit institutions amounted to AZN 640,063 and AZN 1,291,498 respectively.

Amount due from banks are not collateralized. An analysis by credit quality of amounts due from other banks are as follows:

	31 December 2024	31 December 2023
Currently not impaired		
>BBB (Fitch Ratings)	47,763,679	65,163,109
<B- to BBB (Fitch Ratings)	222,847,904	230,806,649
	270,611,583	**295,969,758**

As at 31 December 2024 and 2023 the Bank had restricted deposits blocked in support of guarantees issued and plastic cards operations and money transfers totaling AZN 47,825,887 and AZN 47,730,530 respectively. The Group has two banks (31 December 2023: four banks) with an outstanding balance exceeding 10% of total due from other banks. The gross value of these balances as at 31 December 2024 is AZN 69,654,100 (31 December 2023: AZN 82,150,314).

As at 31 December 2024 there is term placement with local banks in amount of AZN 17,000 (31 December 2023: AZN 17,000).

For the purpose of ECL measurement cash and cash equivalent balances are included in Stage 1 with no overdue days

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from credit institutions during the 31 December 2024 is as follows:

	Stage 1 Gross carrying value	Stage 1 ECL
Balance as at 1 January 2024	**296,370,386**	**(400,628)**
New assets originated	60,849,879	(281,117)
Assets repaid		
- Principal	(84,553,281)	152,516
- Interest	(3,236,367)	9,036
Recognised interest income	2,584,932	(8,085)
Remeasurement of ECL	-	390,574
Foreign exchange adjustments	(1,271,924)	6,662
Balance as at 31 December 2024	**270,742,625**	**(131,042)**

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from credit institutions during the 31 December 2023 is as follows:

	Stage 1 Gross carrying value	Stage 1 ECL
Balance as at 1 January 2023	**218,566,448**	**(557,567)**
New assets originated	207,660,170	(377,018)
Assets repaid		
- Principal	(130,680,020)	536,630
- Interest	(4,090,540)	32,087
Recognised interest income	4,019,504	(33,929)
Remeasurement of ECL	-	3,237
Foreign exchange adjustments	894,824	(4,068)
Balance as at 31 December 2023	**296,370,386**	**(400,628)**

16. Loans to customers

Loans to customers comprise:

	31 December 2024	31 December 2023
Loans to corporate customers	1,104,885,651	1,194,202,912
Loans to individuals	849,953,085	701,295,169
Gross loans to customers at amortised cost	**1,954,838,736**	**1,895,498,081**
Less allowance for impairment	(91,973,122)	(85,208,770)
Total loans to customers at amortised cost	**1,862,865,614**	**1,810,289,311**

Loans to corporate customers are given to the following industry sectors:

Analysis by industry	31 December 2024	31 December 2023
Agriculture	288,511,451	283,649,193
Trading and services	250,928,200	190,626,823
Construction	195,345,094	223,704,697
Manufacturing	117,537,838	144,979,431
Telecommunication	64,943,291	65,205,054
Energy	50,687,774	57,482,102
Financing	50,660,368	53,092,208
Mining	6,101,479	98,610,964
Other	80,170,156	76,852,440
	1,104,885,651	**1,194,202,912**
Less allowance for impairment	(77,022,268)	(65,058,709)
Total loans to corporate customers	**1,027,863,383**	**1,129,144,203**

Loans to individuals comprise the following products:

	31 December 2024	31 December 2023
Mortgage loans	423,512,233	327,434,927
Consumer loans	323,617,431	294,306,332
Business loans	56,803,204	47,063,422
Auto loans	43,828,973	29,769,818
Credit cards	2,191,244	2,720,670
	849,953,085	**701,295,169**
Less allowance for impairment	(14,950,854)	(20,150,061)
Total loans to individuals	**835,002,231**	**681,145,108**

The table below summarizes the amount of loans secured by collateral, rather than the fair value of the collateral itself:

	31 December 2024	31 December 2023
Loans collateralized by real estate	1,235,674,472	1,123,239,955
Loans collateralized by cash	300,486,075	335,411,522
Loans collateralized by equipment	155,878,778	139,307,991
Loans collateralized by guarantees	72,494,665	59,447,375
Loans collateralized by vehicles	22,541,453	14,358,684
Loans collateralized by trade receivable	1,397,602	6,965,330
Loans collateralized by other collateral	503,009	6,065,507
Unsecured loans	165,862,682	210,701,717
	1,954,838,736	**1,895,498,081**
Less allowance for impairment	(91,973,122)	(85,208,770)
Total loans to customers	**1,862,865,614**	**1,810,289,311**

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans and advances to customers during the 31 December 2024 is as follows:

Loans and advances to customers	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2024	**1,792,196,505**	**2,297,978**	**101,003,598**	**1,895,498,081**
New assets originated or purchased	1,113,184,836	-	-	1,113,184,836
Assets repaid				
- Principal	(1,005,882,363)	(5,369,784)	(40,894,548)	(1,052,146,695)
- Interest	(124,635,745)	(3,080,503)	(6,578,813)	(134,295,061)
Transfers to Stage 1	1,697,627	(483,525)	(1,214,102)	-
Transfers to Stage 2	(116,554,846)	116,554,846	-	-
Transfers to Stage 3	(56,844,376)	(216,756)	57,061,132	-
Recognised interest income	126,207,052	3,306,909	7,087,441	136,601,402
Recoveries	-	-	1,211,682	1,211,682
Amounts written off	-	-	(1,193,829)	(1,193,829)
Foreign exchange adjustments	(2,932,207)	(1)	(1,089,472)	(4,021,680)
At 31 December 2024	**1,726,436,483**	**113,009,164**	**115,393,089**	**1,954,838,736**

Loans and advances to customers	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2024	(10,037,150)	(336,959)	(74,834,661)	(85,208,770)
New assets originated or purchased	(9,739,583)	-	-	(9,739,583)
Assets repaid				
- Principal	8,722,737	1,152,739	27,431,655	37,307,131
- Interest	1,262,699	827,549	3,472,545	5,562,793
Transfers to Stage 1	(1,279,008)	83,095	1,195,913	-
Transfers to Stage 2	373,481	(373,481)	-	-
Transfers to Stage 3	217,153	23,353	(240,506)	-
Net remeasurement of loss allowance	(6,115,986)	(17,981,694)	(16,043,930)	(40,141,610)
Recoveries	-	-	(1,211,682)	(1,211,682)
Amounts written off	-	-	1,193,829	1,193,829
Foreign exchange adjustments (loss)/gain	75,102	(1)	189,669	264,770
At 31 December 2024	**(16,520,555)**	**(16,605,399)**	**(58,847,168)**	**(91,973,122)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans and advances to customers during the 31 December 2023 is as follows:

Loans and advances to customers	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2023	1,709,326,016	1,309,602	78,096,456	1,788,732,074
New assets originated	823,868,678	-	-	823,868,678
Assets repaid				
- Principal	(701,210,562)	(123,015)	(19,902,337)	(721,235,914)
- Interest	(110,167,919)	(87,580)	(5,959,618)	(116,215,117)
Transfers to Stage 1	332,589	(212,843)	(119,746)	-
Transfers to Stage 2	(2,213,484)	2,213,484	-	-
Transfers to Stage 3	(41,707,619)	(899,982)	42,607,601	-
Recognised interest income	111,183,392	98,312	6,122,879	117,404,583
Recoveries	-	-	172,299	172,299
Amounts written off	-	-	(124,691)	(124,691)
Foreign exchange adjustments	2,785,414	-	110,755	2,896,169
At 31 December 2023	**1,792,196,505**	**2,297,978**	**101,003,598**	**1,895,498,081**

Loans and advances to customers	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2023	(14,062,349)	(187,948)	(65,759,648)	(80,009,945)
New assets originated	(3,877,961)	-	-	(3,877,961)
Assets repaid				
- Principal	3,528,032	13,611	10,264,027	13,805,670
- Interest	697,822	12,318	3,752,178	4,462,318
Transfers to Stage 1	(45,278)	16,013	29,265	-
Transfers to Stage 2	25,183	(25,183)	-	-
Transfers to Stage 3	463,554	170,141	(633,695)	-
Net remeasurement of loss allowance	3,251,511	335,911	(22,406,733)	(19,491,133)
Recoveries	-	-	(172,299)	(172,299)
Amounts written off	-	-	124,691	124,691
Foreign exchange adjustments	(17,664)	-	(32,447)	(50,111)
At 31 December 2023	**(10,037,150)**	**(336,959)**	**(74,834,661)**	**(85,208,770)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate loans and advances to customers during the 31 December 2024 is as follows:

Corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2024	1,116,392,553	1,319,171	76,491,188	1,194,202,912
New assets originated or purchased	653,467,024	-	-	653,467,024
Assets repaid				
- Principal	(703,334,328)	(4,996,004)	(33,195,149)	(741,525,481)
- Interest	(69,929,354)	(3,009,148)	(5,032,078)	(77,970,580)
Transfers to Stage 1	1,167,495	-	(1,167,495)	-
Transfers to Stage 2	(115,620,239)	115,620,239	-	-
Transfers to Stage 3	(53,996,765)	-	53,996,765	-
Recognised interest income	70,775,659	3,234,739	5,567,218	79,577,616
Recoveries	-	-	1,136,344	1,136,344
Amounts written off	-	-	(15,249)	(15,249)
Foreign exchange adjustments	(2,897,445)	(1)	(1,089,489)	(3,986,935)
At 31 December 2024	**896,024,600**	**112,168,996**	**96,692,055**	**1,104,885,651**

Corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2024	(8,995,763)	(161,768)	(55,901,178)	(65,058,709)
New assets originated	(9,005,188)	-	-	(9,005,188)
Assets repaid				
- Principal	8,426,551	1,071,186	21,399,046	30,896,783
- Interest	1,181,805	807,910	2,438,108	4,427,823
Transfers to Stage 1	(1,167,485)	-	1,167,485	-
Transfers to Stage 2	369,008	(369,008)	-	-
Transfers to Stage 3	210,016	-	(210,016)	-
Net remeasurement of loss allowance	(6,556,812)	(17,728,720)	(13,141,203)	(37,426,735)
Recoveries	-	-	(1,136,344)	(1,136,344)
Amounts written off	-	-	15,249	15,249
Foreign exchange adjustments	75,159	-	189,694	264,853
At 31 December 2024	**(15,462,709)**	**(16,380,400)**	**(45,179,159)**	**(77,022,268)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate loans and advances to customers during the 31 December 2023 is as follows:

Corporate loans	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	1,147,588,770	-	59,847,386	1,207,436,156
New assets originated	542,245,688	-	-	542,245,688
Assets repaid				
- Principal	(546,371,665)	-	(13,242,644)	(559,614,309)
- Interest	(66,503,282)	-	(3,609,654)	(70,112,936)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(1,319,171)	1,319,171	-	-
Transfers to Stage 3	(29,020,498)	-	29,020,498	-
Recognised interest income	67,045,481	-	4,364,806	71,410,287
Amounts written off	-	-	-	-
Foreign exchange adjustments	**2,727,230**	**-**	**110,796**	**2,838,026**
At 31 December 2023	**1,116,392,553**	**1,319,171**	**76,491,188**	**1,194,202,912**

Corporate loans	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2023	(12,394,034)	-	(50,909,209)	(63,303,243)
New assets originated	(3,526,682)	-	-	(3,526,682)
Assets repaid				
- Principal	3,199,047	-	6,173,311	9,372,358
- Interest	572,261	-	1,974,975	2,547,236
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	14,998	(14,998)	-	-
Transfers to Stage 3	265,072	-	(265,072)	-
Net remeasurement of loss allowance	2,891,237	(146,770) -	(12,842,723)	(10,098,256)
Amounts written off	-	-	-	-
Foreign exchange adjustments	(17,662)	-	(32,460)	(50,122)
At 31 December 2023	**(8,995,763)**	**(161,768)**	**(55,901,178)**	**(65,058,709)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans during the 31 December 2024 is as follows:

Individual loans - Mortgage	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2024	324,920,556	349,591	2,164,780	327,434,927
New assets originated	163,341,876	-	-	163,341,876
Assets repaid				
- Principal	(66,894,312)	(274,860)	(529,746)	(67,698,918)
- Interest	(26,636,168)	(35,893)	(210,582)	(26,882,643)
Transfers to Stage 1	85,506	(38,899)	(46,607)	-
Transfers to Stage 2	(516,830)	516,830	-	-
Transfers to Stage 3	(1,250,744)	(51,217)	1,301,961	-
Recognised interest income	27,082,585	33,464	249,876	27,365,925
Recoveries	-	-	-	-
Amounts written off	-	-	(49,151)	(49,151)
Foreign exchange adjustments	185	-	32	217
At 31 December 2024	**420,132,654**	**499,016**	**2,880,563**	**423,512,233**

Individual loans - Mortgage	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2024	(70,623)	(77,866)	(624,463)	(772,952)
New assets originated	(226,037)	-	-	(226,037)
Assets repaid				
- Principal	34,895	66,991	190,555	292,441
- Interest	31,400	12,990	78,628	123,018
Transfers to Stage 1	(36,531)	8,103	28,428	-
Transfers to Stage 2	256	(256)	-	-
Transfers to Stage 3	885	6,826	(7,711)	-
Net remeasurement of loss allowance	(232,628)	(182,541) -	(1,222,593)	(1,637,762)
Amounts written off	-	-	49,151	49,151
Foreign exchange adjustments	-	(1)	(32)	(33)
At 31 December 2024	**(498,383)**	**(165,754)**	**(1,508,037)**	**(2,172,174)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans during the 31 December 2023 is as follows:

Individual loans - Mortgage	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	263,115,395	730,488	2,162,813	266,008,696
New assets originated	106,049,162	-	-	106,049,162
Assets repaid				
- Principal	(44,231,593)	(25,989)	(560,171)	(44,817,753)
- Interest	(21,606,558)	(23,798)	(283,547)	(21,913,903)
Transfers to Stage 1	296,155	(212,843)	(83,312)	-
Transfers to Stage 2	(194,857)	194,857	-	-
Transfers to Stage 3	(403,365)	(340,919)	744,284	-
Recognised interest income	21,896,081	27,795	185,382	22,109,258
Amounts written off	-	-	(629)	(629)
Foreign exchange adjustments	136	-	(40)	96
At 31 December 2023	**324,920,556**	**349,591**	**2,164,780**	**327,434,927**

Individual loans - Mortgage	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2023	(106,942)	(124,649)	(1,243,302)	(1,474,893)
New assets originated	(58,385)	-	-	(58,385)
Assets repaid				
- Principal	11,367	3,364	239,210	253,941
- Interest	10,434	3,136	154,870	168,440
Transfers to Stage 1	(40,678)	16,013	24,665	-
Transfers to Stage 2	273	(273)	-	-
Transfers to Stage 3	531	107,268	(107,799)	-
Net remeasurement of loss allowance	112,777	(82,725) -	307,293	337,345
Amounts written off	-	-	630	630
Foreign exchange adjustments	-	-	(30)	(30)
At 31 December 2023	**(70,623)**	**(77,866)**	**(624,463)**	**(772,952)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to business loans during the 31 December 2024 is as follows:

Individual loans - Business	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2024	34,543,600	-	12,519,822	47,063,422
New assets originated	27,856,564	-	-	27,856,564
Assets repaid				
- Principal	(15,220,508)	(6,685)	(2,233,157)	(17,460,350)
- Interest	(4,822,397)	(1,476)	(663,934)	(5,487,807)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(51,911)	51,911	-	-
Transfers to Stage 3	(551,314)	-	551,314	-
Recognised interest income	4,931,816	1,418	539,162	5,472,396
Recoveries			15,560	15,560
Amounts written off	-	-	(655,671)	(655,671)
Foreign exchange adjustments	(900)	-	(10)	(910)
At 31 December 2024	**46,684,950**	**45,168**	**10,073,086**	**56,803,204**

Individual loans - Business	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2024	(113,065)	-	(10,051,034)	(10,164,099)
New assets originated	(53,642)	-	-	(53,642)
Assets repaid				
- Principal	38,640	-	1,503,611	1,542,251
- Interest	13,190	-	536,529	549,719
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	32	(32)	-	-
Transfers to Stage 3	1,189	-	(1,189)	-
Net remeasurement of loss allowance	(40,142)	(5,564)	(509,089)	(554,795)
Recoveries	-	-	(15,560)	(15,560)
Amounts written off	-	-	655,672	655,672
Foreign exchange adjustments	(2)	-	12	10
At 31 December 2024	**(153,800)**	**(5,596)**	**(7,881,048)**	**(8,040,444)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to business loans during the 31 December 2023 is as follows:

Individual loans - Business	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	34,853,686	517,956	9,507,773	44,879,415
New assets originated	17,986,746	-	-	17,986,746
Assets repaid				
- Principal	(11,321,038)	-	(4,265,702)	(15,586,740)
- Interest	(2,999,451)	-	(928,339)	(3,927,790)
Transfers to Stage 1	36,434	-	(36,434)	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(7,055,377)	(517,956)	7,573,333	-
Recognised interest income	3,041,664	-	705,515	3,747,179
Recoveries	-	-	205	205
Amounts written off	-	-	(36,552)	(36,552)
Foreign exchange adjustments	936	-	23	959
At 31 December 2023	**34,543,600**	**-**	**12,519,822**	**47,063,422**

Individual loans - Business	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2023	(695,260)	(58,724)	(8,812,345)	(9,566,329)
New assets originated	(40,979)	-	-	(40,979)
Assets repaid				
- Principal	57,463	-	3,012,295	3,069,758
- Interest	8,151	-	731,682	739,833
Transfers to Stage 1	(4,600)	-	4,600	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	138,772	58,724	(197,496)	-
Net remeasurement of loss allowance	423,390	-	(4,826,345)	(4,402,955)
Recoveries	-	-	-	-
Amounts written off	-	-	36,552	36,552
Foreign exchange adjustments	(2)	-	23	21
At 31 December 2023	**(113,065)**	**-**	**(10,051,034)**	**(10,164,099)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans during the 31 December 2024 is as follows:

Individual loans - Consumer	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2024	284,026,350	587,846	9,692,136	294,306,332
New assets originated	222,485,815	-	-	222,485,815
Assets repaid				
- Principal	(188,098,875)	(73,498)	(4,876,214)	(193,048,587)
- Interest	(18,716,828)	(31,082)	(658,334)	(19,406,244)
Transfers to Stage 1	444,626	(444,626)	-	-
Transfers to Stage 2	(353,020)	353,020	-	-
Transfers to Stage 3	(878,071)	(135,602)	1,013,673	-
Recognised interest income	18,927,956	32,087	715,585	19,675,628
Recoveries	-	-	59,678	59,678
Amounts written off	-	-	(421,475)	(421,475)
Foreign exchange adjustments	(33,711)	-	(5)	(33,716)
At 31 December 2024	**317,804,242**	**288,145**	**5,525,044**	**323,617,431**

Individual loans - Consumer	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2024	(819,782)	(92,521)	(8,217,649)	(9,129,952)
New assets originated	(333,814)	-	-	(333,814)
Assets repaid				
- Principal	186,800	13,118	4,266,338	4,466,256
- Interest	33,323	6,433	413,514	453,270
Transfers to Stage 1	(74,992)	74,992	-	-
Transfers to Stage 2	3,864	(3,864)	-	-
Transfers to Stage 3	4,907	16,527	(21,434)	-
Net remeasurement of loss allowance	622,668	(64,234)	(1,000,638)	(442,204)
Recoveries	-	-	(59,678)	(59,678)
Amounts written off	-	-	421,474	421,474
Foreign exchange adjustments	(55)	-	(5)	(60)
At 31 December 2024	**(377,081)**	**(49,549)**	**(4,198,078)**	**(4,624,708)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans during the 31 December 2023 is as follows:

Individual loans - Consumer	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2023	239,831,903	44,262	6,459,253	246,335,418
New assets originated	123,941,040	-	-	123,941,040
Assets repaid				
- Principal	(74,082,446)	(72,492)	(1,774,172)	(75,929,110)
- Interest	(15,796,836)	(60,354)	(1,108,136)	(16,965,326)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(650,406)	650,406	-	-
Transfers to Stage 3	(5,144,658)	(41,107)	5,185,765	-
Recognised interest income	15,871,110	67,131	847,247	16,785,488
Recoveries	-	-	158,960	158,960
Amounts written off	-	-	(76,757)	(76,757)
Foreign exchange adjustments	56,643	-	(24)	56,619
At 31 December 2023	**284,026,350**	**587,846**	**9,692,136**	**294,306,332**

Individual loans - Consumer	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2023	(854,504)	(4,425)	(4,706,297)	(5,565,226)
New assets originated	(215,151)	-	-	(215,151)
Assets repaid				
- Principal	232,476	9,741	806,847	1,049,064
- Interest	102,399	9,059	880,190	991,648
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	9,911	(9,911)	-	-
Transfers to Stage 3	59,155	4,149	(63,304)	-
Net remeasurement of loss allowance	(154,068)	(101,134)	(5,052,696	(5,307,898)
Recoveries	-	-	(159,165)	(159,165)
Amounts written off	-	-	76,756	76,756
Foreign exchange adjustments	-	-	20	20
At 31 December 2023	**(819,782)**	**(92,521)**	**(8,217,649)**	**(9,129,952)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to auto loans during the 31 December 2024 is as follows:

Individual loans – Auto	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Gross carrying value as at 1 January 2024	29,628,097	41,370	100,351	29,769,818
New assets originated	35,603,500	-	-	35,603,500
Assets repaid				
- Principal	(21,523,792)	(18,737)	(51,990)	(21,594,519)
- Interest	(4,162,542)	(2,904)	(10,668)	(4,176,114)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(12,846)	12,846	-	-
Transfers to Stage 3	(43,456)	(29,937)	73,393	-
Recognised interest income	4,239,718	5,201	12,826	4,257,745
Recoveries	-	-	100	100
Amounts written off	-	-	(31,557)	(31,557)
Foreign exchange adjustments	-	-	-	-
At 31 December 2024	**43,728,679**	**7,839**	**92,455**	**43,828,973**

Individual loans – Auto	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
ECL as at 1 January 2024	(34,311)	(4,804)	(28,236)	(67,351)
New assets originated	(15,744)	-	-	(15,744)
Assets repaid				
- Principal	16,041	1,444	7,903	25,388
- Interest	2,479	216	1,803	4,498
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	321	(321)	-	-
Transfers to Stage 3	34	-	(34)	-
Net remeasurement of loss allowance	8,288	(635)	(36,120)	(28,467)
Recoveries	-	-	(100)	(100)
Amounts written off	-	-	31,557	31,557
Foreign exchange adjustments	-	-	-	-
At 31 December 2024	**(22,892)**	**(4,100)**	**(23,227)**	**(50,219)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to auto loans during the 31 December 2023 is as follows:

Individual loans – Auto	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2023	20,861,138	16,896	60,845	20,938,879
New assets originated	23,302,070	-	-	23,302,070
Assets repaid				
- Principal	(14,427,611)	(24,534)	(43,974)	(14,496,119)
- Interest	(2,942,162)	(3,428)	(17,378)	(2,962,968)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(49,050)	49,050	-	-
Transfers to Stage 3	(96,844)	-	96,844	-
Recognised interest income	2,980,556	3,386	13,996	2,997,938
Recoveries	-	-	-	-
Amounts written off	-	-	(9,982)	(9,982)
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**29,628,097**	**41,370**	**100,351**	**29,769,818**

Individual loans – Auto	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2023	(2,146)	(150)	(37,333)	(39,629)
New assets originated	(23,897)	-	-	(23,897)
Assets repaid				
- Principal	11,979	506	10,425	22,910
- Interest	3,692	123	4,851	8,666
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	1	(1)	-	-
Transfers to Stage 3	24	-	(24)	-
Net remeasurement of loss allowance	(23,964)	(5,282)	(16,137)	(45,383)
Recoveries	-	-	-	-
Amounts written off	-	-	9,982	9,982
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**(34,311)**	**(4,804)**	**(28,236)**	**(67,351)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to credit card loans during the 31 December 2024 is as follows:

Individual loans – Credit card	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2024	2,685,349	-	35,321	2,720,670
New assets originated	10,430,057	-	-	10,430,057
Assets repaid				
- Principal	(10,810,548)	-	(8,292)	(10,818,840)
- Interest	(368,456)	-	(3,217)	(371,673)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(124,026)	-	124,026	-
Recognised interest income	249,318	-	2,774	252,092
Recoveries	-		-	-
Amounts written off	-		(20,726)	(20,726)
Foreign exchange adjustments	(336)	-	-	(336)
At 31 December 2024	**2,061,358**	**-**	**129,886**	**2,191,244**

Individual loans – Credit card	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2024	(3,606)	-	(12,101)	(15,707)
New assets originated	(105,158)	-	-	(105,158)
Assets repaid				
- Principal	19,810	-	64,202	84,012
- Interest	502	-	3,963	4,465
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	122	-	(122)	-
Net remeasurement of loss allowance	82,640	-	(134,287)	(51,647)
Recoveries	-	-	-	-
Amounts written off	-	-	20,726	20,726
Foreign exchange adjustments	-	-	-	-
At 31 December 2024	**(5,690)**	**-**	**(57,619)**	**(63,309)**

An analysis of changes in the gross carrying value and corresponding ECL in relation to credit card loans during the 31 December 2023 is as follows:

Individual loans – Credit Card	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying value as at 1 January 2023	3,075,124	-	58,386	3,133,510
New assets originated	10,343,972	-	-	10,343,972
Assets repaid				
- Principal	(10,776,209)	-	(15,674)	(10,791,883)
- Interest	(319,630)	-	(12,564)	(332,194)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	13,123	-	(13,123)	-
Recognised interest income	348,500	-	5,933	354,433
Recoveries	-	-	13,134	13,134
Amounts written off	-	-	(771)	(771)
Foreign exchange adjustments	469	-	-	469
At 31 December 2023	**2,685,349**	**-**	**35,321**	**2,720,670**

Individual loans – Credit Card	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2023	(9,463)	-	(51,162)	(60,625)
New assets originated	(12,867)	-	-	(12,867)
Assets repaid				
- Principal	15,700	-	21,939	37,639
- Interest	885	-	5,610	6,495
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Net remeasurement of loss allowance	2,139	-	23,875	26,014
Recoveries	-	-	(13,134)	(13,134)
Amounts written off	-	-	771	771
Foreign exchange adjustments	-	-	-	-
At 31 December 2023	**(3,606)**	**-**	**(12,101)**	**(15,707)**

Analysis by credit quality of loans and advances to customers outstanding as at 31 December 2024 is as follows:

	Business loans	Consumer	Credit cards	Mortgage	Auto	Corporate	Total
Stage 1 (12-months ECL)	46,684,950	317,804,242	2,061,358	420,132,654	43,728,679	896,024,600	**1,726,436,483**
Stage 2 (lifetime ECL):	45,168	288,145	-	499,016	7,839	112,168,996	**113,009,164**
not past due	-	-	-	-	-	52,542,771	**52,542,771**
less than 30 days	-	-	-	-	-	57,167,720	**57,167,720**
30 to 90 days overdue	45,168	288,145	-	499,016	7,839	2,458,505	**3,298,673**
Stage 3 (lifetime ECL):	10,073,086	5,525,044	129,886	2,880,563	92,455	96,692,055	**115,393,089**
not past due	2,049,591	142,236	13,101	1,463,116	7,651	50,722,820	**54,398,515**
less than 30 days	-	23,215	-	253,576	13,813	788,912	**1,079,516**
30 to 90 days overdue	21,515	284,553	-	69,509	2,453	356,606	**734,636**
over 90 days overdue	8,001,980	5,075,040	116,785	1,094,362	68,538	44,823,717	**59,180,422**
Total gross loans and advances to customers	**56,803,204**	**323,617,431**	**2,191,244**	**423,512,233**	**43,828,973**	**1,104,885,651**	**1,954,838,736**
Less: Credit loss allowance	(8,040,444)	(4,624,708)	(63,309)	(2,172,174)	(50,219)	(77,022,268)	**(91,973,122)**
Total net loans and advances to customers	**48,762,760**	**318,992,723**	**2,127,935**	**421,340,059**	**43,778,754**	**1,027,863,383**	**1,862,865,614**

Analysis by credit quality of loans and advances to customers outstanding as at 31 December 2023 is as follows:

	Business loans	Consumer	Credit cards	Mortgage	Auto	Corporate	Total
Stage 1 (12-months ECL)	34,543,600	284,026,350	2,685,349	324,920,556	29,628,097	1,116,392,551	**1,792,196,503**
Stage 2 (lifetime ECL):	-	587,846	-	349,591	41,370	1,319,171	**2,297,978**
not past due	-	-	-	-	3,440	-	**3,440**
30 to 90 days overdue	-	587,846	-	349,591	37,930	1,319,171	**2,294,538**
Stage 3 (lifetime ECL):	12,519,822	9,692,136	35,321	2,164,780	100,351	76,491,190	**101,003,600**
not past due	2,407,755	4,705,997	-	1,006,383	1,278	22,996,187	**31,117,600**
less than 30 days	-	272,139	-	125,616	-	943,397	**1,341,152**
30 to 90 days overdue	4,240,847	1,925,089	-	115,023	13,639	3,618,289	**9,912,887**
over 90 days overdue	5,871,220	2,788,911	35,321	917,758	85,434	48,933,317	**58,631,961**
Total gross loans and advances to customers	**47,063,422**	**294,306,332**	**2,720,670**	**327,434,927**	**29,769,818**	**1,194,202,912**	**1,895,498,081**
Less: Credit loss allowance	(10,164,099)	(9,129,952)	(15,707)	(772,952)	(67,351)	(65,058,709)	**(85,208,770)**
Total net loans and advances to customers	**36,899,323**	**285,176,380**	**2,704,963**	**326,661,975**	**29,702,467**	**1,129,144,203**	**1,810,289,311**

The fair value of collateral in respect of Stage 3 loans and advances to customers excluding the effect of overcollateralization at 31 December 2024 was as follows:

	Business loans	Consumer	Credit cards	Mortgage	Auto	Corporate	Total
Real estate	9,738,852	4,150,694	-	2,479,460	7,088	76,500,783	**92,876,877**
Cash	-	1,206	-	98,340	-	8,372	**107,918**
Equipment	-	-	-	-	-	12,719,380	**12,719,380**
Guarantees	3,558	669,750	13,101	233,816	28,287	-	**948,512**
Vehicles	-	-	-	-	15,937	-	**15,937**
Other					-	1,182	**1,182**
Total	**9,742,410**	**4,821,650**	**13,101**	**2,811,616**	**51,312**	**89,229,717**	**106,669,806**

The fair value of collateral in respect of Stage 3 loans and advances to customers excluding the effect of overcollateralization at 31 December 2023 was as follows:

	Business loans	Consumer	Credit cards	Mortgage	Auto	Corporate	Total
Real estate	11,427,365	8,363,888	-	1,791,544	-	62,431,981	**84,014,778**
Cash	-	1,154	-	30,355	-	-	**31,509**
Equipment	-	-	-	-	-	3,281,847	**3,281,847**
Guarantees	3,525	659,372	-	138,217	38,552	-	**839,666**
Vehicles	-	-	-	95,535	-	-	**95,535**
Trade receivable	-	-	-	-	39,903	-	**39,903**
Other	-	-	-	-	-	5,304,235	**5,304,235**
Total	**11,430,890**	**9,024,414**	**-**	**2,055,651**	**78,455**	**71,018,063**	**93,607,473**

As at 31 December 2024 and 2023 the Bank granted 5 and 7 loans totaling AZN 358,792,657 and AZN 589,673,988, respectively, which individually exceeded 10% of the Group's equity.

As at December 31, 2024, accrued interest income included in loans to customers amounted to AZN 17,925,301 (December 31, 2023: AZN 15,618,960).

As at 31 December 2024 and 2023 loans to customers included loans in the amount of AZN 310,949,491 and AZN 347,215,746, respectively, whose terms have been renegotiated.

A significant amount of loans (100% of loans to customers) is granted to companies operating in the Republic of Azerbaijan, which represents significant geographical concentration in one region.

17. Investment securities

Investment securities comprise:

	31 December 2024	31 December 2023
Equity securities at FVOCI	534,059	536,897
Debt securities at amortised cost	291,356,393	460,407,148
Less: Allowance for impairment losses	(1,259,653)	(1,672,033)
Total investment securities	**290,630,799**	**459,272,012**

As at 31 December 2024, accrued interest income included in investment securities amounted to AZN 5,378,803 (31 December, 2023: AZN 4,450,729).

Equity securities at FVOCI	**Share %**	**31 December 2024**	**Share %**	**31 December 2023**
Azerbaijan Credit Bureau LLC	12.5	250,000	12.5	250,000
Baku Stock Exchange CJSC	4.76	240,000	4.76	240,000
Millikart LLC	0.67	40,000	0.67	40,000
Other		4,059		6,897
Total equity securities		**534,059**		**536,897**

Debt securities at amortised cost	**Coupon rate**	**31 December 2024**	**Coupon rate**	**31 December 2023**
Bonds issued by Ministry of Finance of the Republic of Azerbaijan	6-7%	164,840,633	5-7%	157,675,420
Bonds issued by SOCAR Polymer	5%	65,470,306	5%	64,662,806
Eurobonds issued by CJSC Southern Gas Corridor	6.9%	20,884,558	6.9%	17,414,744
Bonds issued by the Azerbaijan Caspian Shipping CJSC (ASCO)	6%	17,334,333	-	17,334,333
Foreign Government Bonds	5-7%	14,365,345	5-7%	14,816,232
Bonds issued by SOCAR	4.5%	6,770,501	4.5%	8,483,251
Bonds issued by other financial institutions	5-6%	1,690,717	5-6%	1,656,711
Notes issued by other organisations	-	-	6-12%	175,514
Notes issued by Central Bank of Azerbaijan Republic	-	-	4-5%	178,188,137
		291,356,393		**460,407,148**
Less: allowance for impairment		(1,259,653)		(1,672,033)
Total debt securities		**290,096,740**		**458,735,115**

All balances of investment securities are allocated to Stage 1.

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost during the 31 December 2024 is as follows:

Debt securities at amortised cost	***Gross carrying amount***	***ECL***
Balance as at 1 January 2024	**460,407,148**	**(1,672,033)**
New assets purchased	192,117,225	(66,099)
Assets repaid	(380,214,927)	171,904
Assets sold	(7,692,306)	36,010
Recognised interest income	27,239,158	(79,930)
Net remeasurement	-	348,021
Foreign exchange adjustments	(499,905)	2,474
At 31 December 2024	**291,356,393**	**(1,259,653)**

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost during the 31 December 2023 is as follows:

Debt securities at amortised cost	***Gross carrying amount***	***ECL***
Balance as at 1 January 2023	**194,100,138**	**(2,521,348)**
New assets purchased	509,179,660	(530,902)
Assets repaid	(254,206,060)	176,730
Assets sold	(14,009,123)	30,883
Recognised interest income	25,014,651	(92,783)
Net remeasurement	-	1,276,512
Foreign exchange adjustments	327,882	(11,125)
At 31 December 2023	**460,407,148**	**(1,672,033)**

18. Property, equipment and right-of-use assets

	Land	Buildings	Computers	Vehicles	Furniture & Equipment	Other Equipment	Leasehold Improvements	Construction in progress	Right-of-use assets	Total
Cost at 31 December 2022	1,149,138	84,042,744	12,096,529	8,622,760	16,212,756	1,697,854	846,511	184,625	4,552,862	**129,405,779**
Additions	-	24,672,740	2,716,532	859,100	2,413,483	67,055	-	-	418,279	**31,147,189**
Disposals	-	(9,783,000)	(61,041)	(320,550)	-	-	-	-	(830,921)	**(10,995,512)**
Transfers	-	-	-	-	-	-	-	-	-	**-**
Cost at 31 December 2023	1,149,138	98,932,484	14,752,020	9,161,310	18,626,239	1,764,909	846,511	184,625	4,140,220	**149,557,456**
Additions	-	-	991,866	1,147,320	2,537,479	229,385	-	-	803,166	**5,709,216**
Remeasurement	-	-	-	-	-	-	-	-	6,377,588	**6,377,588**
Modification	-	-	-	-	-	-	-	-	429,496	**429,496**
Disposals	-	(24,672,740)	(447,249)	(1,029,324)	(822,092)	(86,399)	-	(184,625)	-	**(27,242,429)**
Transfers	-	-	-	-	-	-	-	-	-	**-**
Cost at 31 December 2024	1,149,138	74,259,744	15,296,637	9,279,306	20,341,626	1,907,895	846,511	-	11,750,470	**134,831,327**
Accumulated depreciation at 31 December 2022	-	(26,716,173)	(7,992,282)	(5,920,513)	(14,152,661)	(1,423,468)	(645,054)	-	(3,527,684)	**(60,377,835)**
Charge for the year	-	(3,153,243)	(2,082,890)	(1,114,824)	(844,660)	(42,592)	(67,152)	-	(839,685)	**(8,145,046)**
Disposals	-	163,050	52,092	320,550	-	-	-	-	669,698	**1,205,390**
Transfers	-	-	-	-	-	-	-	-	-	**-**
Accumulated depreciation at 31 December 2023	-	(29,706,366)	(10,023,080)	(6,714,787)	(14,997,321)	(1,466,060)	(712,206)	-	(3,697,671)	**(67,317,491)**
Charge for the year	-	(2,538,703)	(2,025,923)	(828,788)	(1,258,900)	(86,668)	(67,152)	-	(720,416)	**(7,526,550)**
Disposals	-	615,741	436,341	995,861	801,778	52,063	-	-	-	**2,901,784**
Transfers	-	-	-	-	-	-	-	-	-	**-**
Accumulated depreciation at 31 December 2024	-	(31,629,328)	(11,612,662)	(6,547,714)	(15,454,443)	(1,500,665)	(779,358)		(4,418,087)	**(71,942,257)**
NBV at 31 December 2023	**1,149,138**	**69,226,118**	**4,728,940**	**2,446,523**	**3,628,918**	**298,849**	**134,305**	**184,625**	**442,549**	**82,239,965**
NBV at 31 December 2024	**1,149,138**	**42,630,416**	**3,683,975**	**2,731,592**	**4,887,183**	**407,230**	**67,153**	**-**	**7,332,383**	**62,889,070**

Right-of-use assets are for 8 branches as at 31 December 2024 (31 December 2023: 7). As at 31 December 2024 included in the closing balance of premises and equipment were fully depreciated assets still in use with the total initial cost of AZN 26,834,642 (31 December 2023: AZN 20,746,229).

19. Investment properties

Investment properties comprise:

	31 December 2024	31 December 2023
Investment property at fair value at beginning of the year	**8,065,000**	**7,832,000**
Additions	-	24,010
Fair value gain recognised	685,000	208,990
Investment properties at fair value at end of the year	**8,750,000**	**8,065,000**

The fair value of investment property as at 31 December 2024 was determined on 07 January 2025 by AIS Azintellektservice, who holds a recognized professional qualification. The basis used for the appraisal was market approach.

20. Intangible assets

Intangible assets comprise:

	Licenses	Computer software	Other	Total
Cost at 31 December 2022	3,500,336	8,009,776	3,125	**11,513,237**
Additions	887,269	308,032	-	1,195,301
Cost at 31 December 2023	4,387,605	8,317,808	3,125	**12,708,538**
Additions	56,805	390,321	-	447,126
Disposals	(10,155)	-	-	(10,155)
Cost at 31 December 2024	4,434,255	8,708,129	3,125	**13,145,509**
Accumulated amortization at 31 December 2022	(1,632,192)	(4,117,343)	(1,564)	**(5,751,099)**
Charge for the year	(286,262)	(554,557)	(313)	(841,132)
Accumulated amortization at 31 December 2023	(1,918,454)	(4,671,900)	(1,877)	**(6,592,231)**
Charge for the year	(342,430)	(589,203)	(313)	(931,945)
Disposal	5,944	-	-	5,944
Accumulated amortization at 31 December 2024	(2,254,940)	(5,261,103)	(2,190)	**(7,518,233)**
NBV at 31 December 2023	**2,469,151**	**3,645,908**	**1,248**	**6,116,307**
NBV at 31 December 2024	**2,179,315**	**3,447,026**	**935**	**5,627,276**

Intangible assets include software and licenses. Additions to intangible assets during the year ended 31 December, 2024 included security software, corporate internet banking software, bank accounting software modules and other licenses in the amount of AZN 447,126 (31 December, 2023: included security software, corporate internet banking software, bank accounting software modules and other licenses in the amount of AZN 1,195,301).

21. Other assets

Other assets comprise:

	31 December 2024	31 December 2023
Other financial assets		
Settlements on money transfers and plastic cards	6,981,954	9,038,115
Accrued interests on other operations	17,098	3,527
Total other financial assets	**6,999,052**	**9,041,642**

Other non-financial assets	31 December 2024	31 December 2023
Collateral repossessed	40,010,676	40,705,936
Deferred expenses	5,203,759	3,784,803
Prepayments for purchase of property and equipment	5,105,768	2,486,602
Prepayments and receivables on other transactions	1,412,458	2,402,901
Prepaid operating taxes	833,748	460,882
Prepayments for purchases of intangible assets	23,013	347,240
Other	415,342	458,763
Total other non-financial assets	**60,003,816**	**59,688,769**

As at 31 December 2024 and 2023, the Group did not have overdue other financial assets. All other financial assets are in Stage 1 and ECL is not material as for 31 December 2024 and 2023.

Movements in repossessed collaterals during the years ended December 31, 2024 and 2023 are as follows::

	2024	2023
Balance at January 1	40,705,936	68,456,829
Additions	-	2,383,940
Transfer to PPE	-	(24,607,500)
Sale of repossessed collaterals	(695,260)	(5,527,333)
Balance at December 31	**40,010,676**	**40,705,936**

As at 31 December 2024 and 2023 repossessed collaterals mainly represent immovable properties confiscated by the Group for loans determined to be credit impaired. Repossessed collateral was sold for 12,336,997 AZN during 2024 (2023:14,848,997).

22. Amounts due to banks

Amounts due to banks comprise:

	31 December 2024	31 December 2023
Short-term deposits from other banks	184,982,710	15,656,004
Correspondent accounts and overnight placement of other banks	18,671,011	14,101,693
Long-term deposits from other banks	-	3,500,681
Payables under repurchase agreements with financial institutions	105,088,999	-
Loans from the Central Bank of Azerbaijan Republic	-	300,413
Total due to other banks	**308,742,720**	**33,558,791**

As at 31 December 2024 short-term placements of other banks and financial institutions included several placements of resident banks, bearing interest rates of 2.20%-7% per annum with maturities to the end of 2025 (31 December, 2023: placements of resident banks, bearing interest rates of 3.10%-7% per annum with maturities to the end of 2024).

As at 31 December 2024, the Bank has entered into repurchase agreements at interest rate between 7% - 7.50%. As at 31 December 2024, amount payable under repurchase agreements was AZN 105,088,999, which were repaid in January 2025. Fair value of securities pledged under repurchase contract is AZN 104,900,000 as at 31 December 2024.

As at 31 December 2024, there is AZN 363,709 accrued interest included in amounts due to banks and other financial institutions (31 December, 2023: AZN 3,518).

As at 31 December, 2024 the Group has 3 banks and other financial institutions (31 December, 2023: 5 banks) with outstanding balance exceeding 10% of total due to banks and other financial institutions. The gross value of this balance as at 31 December, 2024 is AZN 273,199,307 (31 December, 2023: AZN 25,985,380).

23. Customer accounts

Customer accounts comprise:

	31 December 2024	**31 December 2023**
Time deposits	1,199,146,964	1,297,001,999
Repayable on demand	744,359,469	955,001,836
Total customer accounts	**1,943,506,433**	**2,252,003,835**

Economic sector concentrations within customer accounts are as follows:

	31 December 2024	**31 December 2023**
Individuals	964,075,961	964,668,064
Trade and Services	336,714,418	329,762,074
Energy	232,408,325	293,819,432
Construction	110,982,742	231,519,212
Insurance	84,305,291	166,772,518
Investing	84,288,854	108,570,713
Transport and communication	40,926,465	62,609,414
Manufacturing	27,415,851	33,756,026
Financing	13,748,400	18,316,421
Agriculture	12,404,517	7,603,003
Other	36,235,609	34,606,958
Total customer accounts	**1,943,506,433**	**2,252,003,835**

As at 31 December, 2024 the Group had 205 customers (31 December 2023: 223 customers) with balances above AZN 1,000,000 The aggregate balance of these customers was AZN 1,723,366,311 (31 December 2023: AZN 2,034,446,534) or 88% (31 December 2023: 84%) of total customer accounts.

Included in customer accounts in the amount of AZN 6,803,713 and AZN 6,263,894 as at 31 December 2024 and 2023, respectively is accrued interest payable.

Included in customer accounts in the amount of AZN 367,568,108 and AZN 429,704,789 as at 31 December 2024 and 2023, respectively are deposits blocked as collateral for loans issued.

Included in customer accounts in the amount of AZN 96,296,198 and AZN 83,608,208 as at 31 December 2024 and 2023, respectively are deposits and current accounts secured by the Azerbaijan Deposit Insurance Fund.

24. Term borrowings

	31 December 2024	31 December 2023
Borrowings from Azerbaijan Mortgage and Credit Guarantee Fund	189,145,788	159,555,023
Borrowings from Entrepreneurship Development Fund	63,521,541	80,585,792
Total term borrowings	**252,667,329**	**240,140,815**

As at 31 December 2024 and 2023 included in loans received from local credit institutions are loans from the Entrepreneurship Development Fund of Azerbaijan Republic amounting to AZN 63,521,542 and AZN 80,655,085, respectively. Under this program, funds made available to the Bank at an interest rate of 1% p.a. and the Bank further on lends these funds to eligible borrowers at rates not higher than 5% p.a. These loans have maturity periods up to 10 years.

As at 31 December 2024 and 2023 included in loans received from local credit institutions are loans from the Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan amounting to AZN 189,145,788 and AZN 159,555,022, respectively. Under this program, funds made available to the Bank at interest rates of 1-4% p.a. and the Bank further on lends these funds to eligible borrowers at rates not higher than 7% p.a. These loans have maturity periods from 5 to 30 years.

Azerbaijan Mortgage and Credit Guarantee Fund and Entrepreneurship Development Fund works with majority of the banks in the Republic of Azerbaijan and applies the same interest rate to all of these banks. Thus, separate market concept is applied to borrowings taken from Azerbaijan Mortgage and Credit Guarantee Fund and Entrepreneurship Development Fund.

As at 31 December 2024, accrued interest payable included in term borrowings amounted to AZN 556,871 (31 December, 2023: AZN 416,916).

A reconciliation of the opening and closing amounts of term borrowings with relevant cash and non-cash changes from financing activities is stated below:

	2024	2023
1 January	**240,140,815**	**229,118,089**
Cash Flows		
Proceeds	47,287,918	43,807,518
Repayments	(34,901,359)	(32,798,985)
Interest paid	(6,392,871)	(5,677,999)
Non-cash changes		
Interest expense	6,532,826	5,692,192
31 December	**252,667,329**	**240,140,815**

25. Lease liability

The Group leases some of its branches. The leases typically run for a period of one to ten years.

The Group also leases areas for its ATMs with a period of one to ten years. The areas for ATMs are not exactly defined in contracts and the Group cannot control the economic benefits from the use of those spaces, i.e. does not have right to direct the use of the identified asset.

	31 December 2024	31 December 2023
Lease liability (current)	799,641	159,500
Lease liability (non-current)	6,905,456	296,334
Total lease liabilities	**7,705,097**	**455,834**

The increase in lease liabilities during the reporting period is primarily attributable to a revision in the estimated lease term for lease of branches, based on a decision by the Bank’s Board of Directors. In addition, lease liabilities were impacted by the recognition of new leases relating to the opening of two new branches and the derecognition of a lease following the closure of one branch.

Future minimum lease payments as at 31 December 2024 were as follows:

	Minimum lease payments due		
	Within one year	**One to eleven years**	**Total**
Lease payments	844,647	11,199,014	12,043,661
Finance charges	(45,006)	(4,293,558)	(4,338,564)
Net present value as at 31 December 2024	**799,641**	**6,905,456**	**7,705,097**

Future minimum lease payments as at 31 December 2023 were as follows:

	Minimum lease payments due		
	Within one year	**One to eleven years**	**Total**
Lease payments	161,915	371,520	533,435
Finance charges	(5,929)	(71,672)	(77,601)
Net present value as at 31 December 2024	**155,986**	**299,848**	**455,834**

A reconciliation of the opening and closing amounts of lease liabilities with relevant cash and non-cash changes from financing activities is stated below:

	2024	2023
Balance at January 1	**455,834**	**717,122**
Changes from financing cash flows		
Payments	(970,999)	(531,738)
Other changes		
Interest expense	610,012	39,244
Remeasurement	6,377,588	-
New leases	803,166	418,279
Modification	429,496	-
Termination	-	(187,073)
Remeasurement	-	-
Derecognition	-	-
Balance at 31 December	**7,705,097**	**455,834**

Extension options

Some leases of office premises and branches contain extension options exercisable by the Bank up to one year before the end of non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the

Bank and not by lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control. Interest rate used in leases range between 9-10% (2023: 7%). Management estimates leased branches will be used for a period of 10-11 years.

26. Other liabilities

Other liabilities comprise:

	31 December 2024	31 December 2023
Other financial liabilities		
Settlements on money transfers and plastic cards	5,216,824	4,770,634
Accrued expenses	1,246,367	1,404,605
Total financial liabilities	**6,463,191**	**6,175,239**
Other non-financial liabilities		
Payables to the employees	6,140,866	4,782,192
Payables to the Deposit Insurance Fund	1,561,801	1,660,313
Payables to the State Social Protection Fund	1,448,265	922,012
Taxes other than income tax	983,617	1,021,342
Provision for guarantees and other commitments	923,084	350,110
Deferred revenue	622,230	559,406
Other	472,107	461,350
Total non-financial other liabilities	**12,151,970**	**9,756,725**
Total other liabilities	**18,615,161**	**15,931,964**

An analysis of changes in ECL allowance on guarantees and similar commitments during the year ended 31 December, 2024 is as follows:

	2024	2023
ECL allowance as at 1 January 2024	**(350,110)**	**(1,238,367)**
(Expense)/recovery of expected credit losses and derecognition	(572,974)	888,257
As at 31 December 2024	**(923,084)**	**(350,110)**

27. Share capital

	Number of outstanding ordinary shares	Ordinary shares	Share premium	Total
As at 31 December 2023	**3,630,300**	**364,772,544**	**-**	**364,772,544**
As at 31 December 2024	**3,630,300**	**415,596,744**	**-**	**415,596,744**

The nominal value of the registered amount of the Bank's issued share capital as at 31 December, 2024 is AZN 415,596,744 (31 December, 2023: AZN 364,772,544).

Shareholders of the bank increased the share capital of the bank by AZN 50,824,200 during the year ended 2024 by capitalizing retained earnings.

As at 31 December 2024 all ordinary shares have a nominal value of AZN 114.48 per share (31 December 2023: AZN 100.48 per share) and rank equally. Each share carries one vote. During the year ended 31 December 2024, AZN 60,081,465 dividends (AZN 16.55 per share) were declared and paid (31 December 2023: AZN 29,078,703 (AZN 8.01 per share).

28. Commitments and contingencies

Legal proceedings – From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxation – The taxation system in Azerbaijan is prone to frequent changes in legislation. Official interpretations and rulings of the ambiguous tax law provisions are not made public and are often unclear, contradictory and open to various interpretations. 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 tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Compliance with the Central Bank of the Republic of Azerbaijan ratios – The CBAR requires banks to maintain certain prudential ratios computed based on statutory financial statements. Management believes that the Group was in compliance with these ratios as at 31 December, 2024 and 2023 (Note 30).

Credit related commitments – The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods, to which they relate, or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding amount of credit related commitments are, as follows:

	31 December 2024	31 December 2023
Credit related commitments		
Unused credit lines	135,043,862	76,320,328
Letters of credit	2,230,665	-
Financial guarantees	108,948,313	107,372,499
	246,222,840	**183,692,827**
Performance guarantees	56,531,669	27,425,183
Commitments and contingencies before deducting collateral and provision	**302,754,509**	**211,118,010**
Provisions for ECL for credit related commitments	(923,083)	(350,110)
Cash held as security against letters of credit and guarantees	(23,080,527)	(30,601,453)

An analysis of changes in the ECL allowance during the 31 December 2024 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2024	**(136,757)**	**(213,353)**	**-**	**(350,110)**
New exposures	(2,539,178)	-	(432,851)	**(2,972,029)**
Amounts paid		-	-	**-**
Exposures expired or derecognised	1,764,875	-	432,198	**2,197,073**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2		-		**-**
Transfers to Stage 3	2,086	-	(2,086)	**-**
Changes to models and inputs used for ECL calculations	(10,792)	214,138	(1,363)	**201,983**
Amounts written off				
At 31 December 2024	**(919,766)**	**785**	**(4,102)**	**(923,083)**

An analysis of changes in the ECL allowance during the 31 December 2024 is as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
ECL as at 1 January 2023	**(756,782)**	**-**	**(481,585)**	**(1,238,367)**
New exposures	(25,338)	-	-	**(25,338)**
Amounts paid	-	-	-	**-**
Exposures expired or derecognised	253,120	-	-	**253,120**
Transfers to Stage 1	-	-	-	**-**
Transfers to Stage 2	213,353	(213,353)	-	**-**
Transfers to Stage 3	-	-	-	**-**
Changes to models and inputs used for ECL calculations	178,890	-	481,585	**660,475**
Amounts written off	-	-	-	**-**
At 31 December 2023	**(136,757)**	**(213,353)**	**-**	**(350,110)**

29. Transactions with related parties

(a) Ultimate controlling party

As at 31 December 2024, the Bank is ultimately owned by Mrs. Leyla Aliyeva, Mrs. Arzu Aliyeva and Mr. Arif Pashayev (31 December 2023: Mrs. Leyla Aliyeva, Mrs. Arzu Aliyeva and Mr. Arif Pashayev), who exercise joint control over the Bank.

(b) Transactions with related parties

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding as at 31 December 2024 and 2023 with related parties:

	31 December 2024		31 December 2023	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Loans to customers		1,954,838,736		1,895,498,081
- shareholders and entities controlled by shareholders of the Group (contractual interest rate: 2024: 2%-12% p.a 2023: 2%-9%	59,703,985		87,579,244	
- key management personnel of the entity (contractual interest rate: 2024: 5%-10% p.a 2023: 5%-9% p.a	1,894,372		1,582,875	
- other related party (contractual interest rate: 2024: 3%-7% p.a 2023: 3%-12% p.a	474,973		275,149	
Allowance for impairment losses		(91,973,122)		(85,208,770)
- shareholders and entities controlled by shareholders of the Group	(269,875)		(628)	
- key management personnel of the entity	(2,352)		-	
- other related party	(515)		-	
Customer accounts		1,943,506,433		2,252,003,835
- shareholders and entities controlled by shareholders of the Group (contractual interest rate: 2024: 0.4%-8% p.a 2023 0.4%-8% p.a	582,048,430		559,607,869	
- key management personnel of the entity (contractual interest rate: 2024: 0.5%- 6% p.a 2023: 0.4%-6% p.a	1,194,972		1,041,588	
- other related party (contractual interest rate: 2024: 0.4%-6.25% p.a 2023: 0.4%-6% p.a	182,412,471		242,356,238	
Guarantees issued		165,479,983		134,797,681
- shareholders and entities controlled by shareholders of the Group (contractual interest rate: 2024: 0%-3% p.a 2023: 0%-3% p.a	10,760,061		2,694,960	
Unused loan commitments		135,043,862		76,320,328
- shareholders and entities controlled by shareholders of the Group (contractual interest rate: 2024: 2%-12% p.a 2023: 1.5%-9% p.a	8,751,250		18,759,534	
- key management personnel of the entity (contractual interest rate: 2024: 5%-10% p.a 2023: 5%-9% p.a	372,534		110,100	
- other related party (contractual interest rate: 2024: 2.5%-12% p.a 2023:3%-12% p.a	66,220		51,192	

Included in the consolidated income statement for the years ended 31 December 2024 and 2023 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2024		**Year ended 31 December 2023**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income		181,273,536		158,885,269
- shareholders and entities controlled by shareholders of the Group	2,401,870		257,870	
- key management personnel of the entity	132,315		110,392	
- other related party	26,606		-	
Interest expense		(49,450,983)		(32,375,155)
- shareholders and entities controlled by shareholders of the Group	(12,351,274)		(7,564,184)	
- key management personnel of the entity	(26,702)		(22,575)	
- other related party	(1,027,003)		(1,344,646)	
Fee and commission income		27,323,245		21,689,625
- shareholders and entities controlled by shareholders of the Group	3,171,407		1,034,647	
- key management personnel of the entity	12,422		2,483	
- other related party	88,950		18,999	
Other income		18,775,609		11,748,281
- shareholders and entities controlled by shareholders of the Group	1.731,941		190,022	
- key management personnel of the entity	874		-	
- other related party	1,008		-	
General and administrative expenses		(23,578,719)		(21,247,478)
- shareholders and entities controlled by shareholders of the Group	(350,860)		(392,325)	
- key management personnel of the entity	(55,944)		(16,727)	
- other related party	-		(3,000)	
Key management personnel compensation:				
short-term employee benefits	(3,993,382)	(49,210,295)	(1,559,141)	(37,685,693)

30. Fair value of financial instruments

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

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- 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.

For the purpose of fair value disclosures, the Group’s has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	Level 1	Level 2	Level 3	31 December, 2024 Total
Assets measured at fair value				
Investment securities	-	4,059	530,000	534,059
Investment property	-	8,750,000	-	8,750,000
Precious metals	15,396,404	-	-	15,396,404
Assets for which fair values are disclosed				
Cash and cash equivalents	461,246,383	-	-	461,246,383
Amounts due from credit institutions	-	270,611,583	-	270,611,583
Investment securities at amortised cost	60,729,962	229,366,778	-	290,096,740
Loans to customers	-	-	1,862,865,614	1,862,865,614
Other financial assets	-	-	6,999,052	6,999,052
Assets	**537,372,749**	**508,732,420**	**1,870,394,666**	**2,916,499,835**
Liabilities for which fair values are disclosed				
Amounts due to banks	-	-	308,742,720	308,742,720
Terms borrowings	-	-	252,667,329	252,667,329
Customer accounts	-	-	1,943,506,433	1,943,506,433
Lease liability	-	-	7,705,097	7,705,097
Other financial liabilities		-	6,463,191	6,463,191
Liabilities	**-**	**-**	**2,519,084,770**	**2,519,084,770**

	Level 1	Level 2	Level 3	31 December 2023 Total
Assets measured at fair value				
Investment securities	-	4,297	532,600	536,897
Investment property	-	8,065,000	-	8,065,000
Precious metals	12,940,899	-	-	12,940,899
Assets for which fair values are disclosed				
Cash and cash equivalents	312,984,769	-	-	312,984,769
Amounts due from credit institutions	-	295,969,758	-	295,969,758
Investment securities at amortised cost	58,980,701	399,754,414	-	458,735,115
Loans to customers	-	-	1,810,289,311	1,810,289,311
Other financial assets	-	-	9,041,642	9,041,642
Assets	**384,906,369**	**703,793,469**	**1,819,863,553**	**2,908,563,391**
Liabilities for which fair values are disclosed				
Amounts due to banks and credit institutions	-	-	33,558,791	33,558,791
Term borrowings	-	-	240,140,815	240,140,815
Customer accounts	-	-	2,252,003,835	2,252,003,835
Lease liability	-	-	455,834	455,834
Other financial liabilities	-	-	6,175,239	6,175,239
Liabilities	**-**	**-**	**2,532,334,514**	**2,532,334,514**

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group’s financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2024			31 December 2023		
	Carrying amount	Fair value	Unrealised gain	Carrying amount	Fair value	Unrealised loss
Financial assets						
Cash and cash equivalents	461,246,383	461,246,383	-	312,984,769	312,984,769	-
Amounts due from credit institutions	270,611,583	270,611,583	-	295,969,758	295,969,758	-
Loans to customers	1,862,865,614	1,862,865,614	-	1,810,289,311	1,810,289,311	-
Investment securities	290,630,799	291,485,396	854,597	459,272,012	458,564,119	(707,893)
Other financial assets	6,999,052	6,999,052	-	9,041,642	9,041,642	-
Financial liabilities						
Amounts due to banks	308,742,720	308,742,720	-	33,558,791	33,558,791	-
Term Borrowings	252,667,329	252,667,329	-	240,140,815	240,140,815	-
Customer accounts	1,943,506,433	1,943,506,433	-	2,252,003,835	2,252,003,835	-
Lease liability	7,705,097	7,705,097	-	455,834	455,834	-
Other financial liabilities	6,463,191	6,463,191	-	6,175,239	6,175,239	-

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Investment securities

Investment securities valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Financial assets and financial liabilities carried at amortized cost

The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to banks and other financial assets and liabilities, obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

31. Financial Risk Management

Management of risk is fundamental to the banking business and is an essential element of the Group’s operations. The main risks inherent to the Group’s operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group’s risk management policies in relation to those risks follows. The Group manages the following risks:

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives and loan commitments, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Impairment assessment

The Group calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

PD	The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
EAD	The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
LGD	The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

Stage 1:	When loans are first recognised, the Group recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 and Stage 3.
Stage 2:	When a loan has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECL.
Stage 3:	Loans considered credit-impaired. The Group records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Definition of default and cure

A financial instrument impairment event is determined at the borrower level for all portfolios except for the retail borrowers' portfolio. For retail borrowers, the impairment event is determined at the financial instrument level. The Group considers a financial asset to be in default when:

- More than 90 calendar days of overdue debt at the reporting date for all segments except transactions with financial institutions and issuers of securities;
- More than 7 working days of overdue debt at the reporting date for transactions with financial institutions and issuers of securities;
- The counterparty / issuer was declared bankrupt by the court, or the court introduced bankruptcy procedures in relation to the borrower. This criterion applies to all portfolios with the exception of the portfolio of retail borrowers;
- Assignment of a regulatory quality category 4 or 5 to the contract at the reporting date;
- Default / forced restructuring due to the financial difficulties of the borrower (applicable except for transactions with financial institutions and securities). Default / forced restructuring refers to a change in the terms of a contract recognized as a forced restructuring by the Group, which are a consequence of the borrower's inability to perform the obligations specified in the contract, and are caused by a deterioration in the credit quality of the borrower;
- Revocation of the license and the introduction of an interim administration (applicable to financial institutions and issuers of securities).

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group determines a probation period during which the financial asset is required to demonstrated good behaviour to provide evidence that its credit risk has declined sufficiently. Probation criteria for recovery and transfer of financial instruments to Stage 1 are as follows:

- No overdue debt (0 days overdue) for three consecutive reporting months for retail borrowers;
- No overdue debt or overdue indebtedness for twelve consecutive reporting months for corporate counterparties and individual entrepreneurs with annuity payments.

Generating the term structure of PD

The Group collects performance and default information about its credit risk by type of product as well as by borrower’s segment. For some portfolios, information purchased from external credit reference agencies is also used.

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

Treasury and interbank relationships

The Group’s treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Group’s credit risk department analyses publicly available information such as financial information and other external data, e.g., the external ratings, and assigns the internal rating, as shown in the table below.

Corporate and small business lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client’s financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond prices or press releases and articles.
- Any other objectively supportable information on the quality and abilities of the client’s management relevant for the company’s performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Group and the complexity and size of the customer. Some of the less complex small business loans are rated within the Group’s models for retail products.

Consumer lending and residential mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with residential mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by debt to income (DTI), loan to value (LTV) and payment to income (PTI) ratios.

The Group’s internal credit rating grades are as follows:

International external rating agency (Fitch) rating	*Internal rating description*	*Lifetime PD*
AA+ to AAA AA A+ to AA- A- BBB+	High grade	0 – 0.12%
BBB BBB- BB+ BB- to BB	Standard grade	0.12 - 8.37%
B- to B+ CCC CCC-	Sub-standard grade	8.37 - 100%
D	Impaired	100%

The internal credit ratings presented above are specifically applied for cash and cash equivalents, due from banks, and investment securities.
These ratings align with the international external rating agency scale and are used to assign risk grades and corresponding lifetime Probability of Default (PD) values for these financial instruments.

For loans to customers, internal credit grades are initially determined at the time of loan origination, based on the borrower’s creditworthiness and internal risk assessment frameworks.
Measurement of ECL

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

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

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

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

The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider repayments of principal and interest amounts for defaulted customers in each segment. In corporate portfolio, recovery amounts are computed on a customer base, while it in credit cards and consumer loan portfolios it is calculated on a contract level. They are calculated on a discounted cash flow basis using first available contractual rate as the discounting factor, as it is considered as the best proxy of effective interest rate at origination.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment.

Significant increase in credit risk

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

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group’s qualitative criteria:

- the presence of the fact of overdue debt for 31-90 days for all segments except transactions with financial institutions and issuers of securities;
- the presence of the fact of debt overdue by 1-7 working days for transactions with financial institutions and issuers of securities;
- reduction of financial support from the parent company or another affiliated enterprise;
- the Group receives reliable negative information about products issued to the borrower.

Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Quantitative criteria (are applied only in the presence of external ratings):

- The relative change in the external rating at the reporting date compared to the external rating at the recognition date according to the criteria given in table below.

Criteria for determining a significant increase in credit risk depending on the value of the external rating upon initial recognition.

	Counterparty external rating at initial recognition			Significant increase in credit risk assigned:
	Moody's	**Fitch**	**S&P**	
1	AAA	AAA	AAA	
2	Aa1	AA+	AA+	
3	Aa2	AA	AA	
4	Aa3	AA-	AA-	Low credit risk: criterion is not applied
5	A1	A+	A+	
6	A2	A	A	
7	A3	A-	A-	
8	Baa1	BBB+	BBB+	
9	Baa2	BBB	BBB	
10	Baa3	BBB-	BBB-	
11	Ba1	BB+	BB+	
12	Ba2	BB	BB	Decrease of rating by 2 notches
13	Ba3	BB-	BB-	
14	B1	B+	B+	
15	B2	B	B	
16	B3	B-	B-	
17	Caa1			Decrease of rating by 1 notch
18	Caa2	CCC-C	CCC-C	
19	Caa3			
20	Ca-C			
21	D	D	D	

Forward-looking information and multiple economic scenarios

In its ECL models, the Group relies on a broad range of forward looking information as economic inputs, such as:

- Real GDP;
- Consumer Price Index;
- Oil price;

The Group formulates one economic scenario: a base case. The base case is aligned with information used by the Group for other purposes such as strategic planning and budgeting. The historical data of defaults use the statistics of CBAR on the share of overdue loans in total loans to individuals in the banking system. The assessment of the impact of macroeconomic information should be made at least on an annual basis.

The Group has identified and documented key drivers of credit risk and credit losses for the entire loan portfolio (including the securities portfolio, requirements for financial institutions), using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key driver is Real GDP growth forecast. The economic scenarios used as at 31 December 2023 included the following key indicators for the Republic of Azerbaijan for the years ending 31 December 2024 through 2028.

Years	Real GDP growth rate
2024	2.8%
2025	2.3%
2026	2.3%
2027	2.3%
2028	2.4%

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group internal credit ratings, as described above. The table below shows the credit quality by class of asset in the consolidated statement of financial position, based on the Group’s credit rating system.

31 December 2024	**Note**		**High grade**	**Standard grade**	**Sub-standard grade**	**Total**
Cash and cash equivalents, except for cash on hand	14	Stage 1	303,733,370	112,583,176	-	**416,316,546**
Amount due from credit institutions	15	Stage 1	47,763,679	212,227,609	10,620,295	**270,611,583**
Investment securities - Debt securities at amortised cost	17	Stage 1	-	274,106,755	15,989,985	**290,096,740**
Total			**351,497,049**	**598,917,540**	**26,610,280**	**977,024,869**

31 December 2023	**Note**		**High grade**	**Standard grade**	**Sub-standard grade**	**Total**
Cash and cash equivalents, except for cash on hand	14	Stage 1	179,523,229	70,438,758	4,626,142	**254,588,129**
Amount due from credit institutions	15	Stage 1	237,659,687	40,564,345	18,146,353	**296,370,385**
Investment securities - Debt securities at amortised cost	17	Stage 1	58,980,701	399,754,414	-	**458,735,115**
Total			**476,163,617**	**510,757,517**	**22,772,495**	**1,009,693,629**

Geographical concentration

The Assets and Liabilities Management Committee exercises control over the risk in the legislation and regulatory arena and assess its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Azerbaijan.

The geographical concentration of assets and liabilities for the year ended 31 December, 2024 is set out below:

	The Republic of Azerbaijan	CIS and other countries	OECD countries	31 December, 2024 Total
Assets				
Cash and cash equivalents	71,961,119	1,433,837	387,851,427	**461,246,383**
Precious metals	15,396,404	-	-	**15,396,404**
Amounts due from credit institutions	179,069,655	-	91,541,918	**270,611,583**
Loans to customers	1,862,808,950	36,790	19,874	**1,862,865,614**
Investment securities	274,636,755	-	15,994,044	**290,630,799**
Property, equipment and right-of-use assets	62,889,070	-	-	**62,889,070**
Investment property	8,750,000	-	-	**8,750,000**
Intangible assets	5,627,276	-	-	**5,627,276**
Deferred income tax asset	3,753,029	-	-	**3,753,029**
Other assets	58,039,471	78,830	1,885,515	**60,003,816**
Total assets	**2,542,931,739**	**1,549,457**	**497,292,778**	**3,041,773,974**
Liabilities				
Amounts due to banks	117,996,238	190,746,482	-	**308,742,720**
Term borrowing	252,667,329	-	-	**252,667,329**
Customer accounts	1,794,133,738	126,503,648	22,869,047	**1,943,506,433**
Current income tax liability	8,414,413	-	-	**8,414,413**
Deferred income tax liability	1,046,116	-	-	**1,046,116**
Lease liability	7,705,097	-	-	**7,705,097**
Other liabilities	17,400,154	-	1,215,007	**18,615,161**
Total liabilities	**2,199,363,085**	**317,250,130**	**24,084,054**	**2,540,697,269**
Net position	**343,568,654**	**(315,700,673)**	**473,208,724**	**501,076,705**

The geographical concentration of assets and liabilities for the year ended 31 December, 2023 is set out below:

	The Republic of Azerbaijan	CIS and other countries	OECD countries	31 December 2023 Total
Assets				
Cash and cash equivalents	253,650,614	4,365,902	54,968,253	**312,984,769**
Precious metals	12,940,899	-	-	**12,940,899**
Amounts due from credit institutions	189,963,157	-	106,006,601	**295,969,758**
Loans to customers	1,810,225,046	52,867	11,398	**1,810,289,311**
Investment securities	442,794,772	-	16,477,240	**459,272,012**
Property, equipment and right-of-use assets	82,239,965	-	-	**82,239,965**
Investment property	8,065,000	-	-	**8,065,000**
Intangible assets	6,116,307	-	-	**6,116,307**
Deferred income tax asset	-	-	-	**-**
Other assets	53,424,284	1,086,589	5,177,896	**59,688,769**
Total assets	**2,859,420,044**	**5,505,358**	**182,641,388**	**3,047,566,790**
Liabilities				
Amounts due to banks	16,649,029	16,909,762	-	33,558,791
Customer accounts	2,093,455,774	144,520,463	14.027.598	2,252,003,835
Term borrowings	240,140,815	-	-	240,140,815
Current income tax liability	9,612,764	-	-	9,612,764
Deferred income tax liability	562,631	-	-	562,631
Lease liability	455,834	-	-	455,834
Other liabilities	13,816,744	50,562	2.064.658	15,931,964
Total liabilities	**2,374,693,591**	**161,480,787**	**16,092,256**	**2,552,266,634**
Net position	**484,726,453**	**(155,975,429)**	**166,549,132**	**495,300,156**

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations arising from its financial obligations. It 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 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 the management of financial institutions.
In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is part of the assets/liabilities management process. The Executive Board and Supervisory Board set limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals under both normal and stressed conditions. They also set parameters for the risk diversification of the liability base.

The Central Bank of the Republic of Azerbaijan has in place minimum levels of liquidity required. The liquidity position is assessed and managed by the Bank primarily on a standalone basis, based on minimum liquidity ratio of 30% established by the CBAR. As at 31 December 2024 and 2023, these ratios were as follows:

	2024 (%) Unaudited	2023 (%) Unaudited
Instant Liquidity Ratio (assets receivable or realizable within one day/liabilities repayable on demand)	54.14	73.32

The Group’s liquidity policy is comprised of the following:

- Projecting cash flows and maintaining the level of liquid assets necessary to ensure liquidity in various time-bands;
- Maintaining a funding plan commensurate with the Group’s strategic goals;
- Maintaining a diverse range of funding sources thereby increasing the Group’s borrowing capacity, domestically as well as from foreign sources;
- Maintaining highly liquid and high-quality assets;
- Adjusting its product base by time bands against available funding sources;
- Daily monitoring of liquidity ratios against regulatory requirements; and
- Constant monitoring of asset and liability structures by time-bands.

The treasury function within the Group is charged with the following responsibilities:

- Compliance with the liquidity requirements of the Central Bank of the Republic of Azerbaijan as well as with the liquidity requirement covenants contained in the agreements with foreign lending sources;
- Daily reports to management, including reporting to management on the forecast levels of cash flows in the main currencies (AZN, USD, EUR), cash positions, changes in the consolidated statement of financial position;
- Constantly controlling/monitoring the level of liquid assets;
- Monitoring of deposit and other liability concentrations; and
- Maintaining a plan for the instant increase of cash to provide liquidity under stressed conditions.

Established by, appointed by and reporting directly to the Supervisory Board are the Executive Board, the Executive Committee, RMC, ALCO, the Audit Committee (“AC”), the Internal Audit Department and the Credit Committee.

RMC is responsible for ensuring that Treasury properly manages the Group’s liquidity position. ALCO is responsible for ensuring the liquidity risk, currency risk and interest rate risk are maintained at appropriate levels taking into account the strategic plan and other internal policies of the Bank. The Risk Management Department is responsible for controlling these activities. Decisions on liquidity positions and management are made by the Executive Board. Funding plans are approved by the Supervisory Board.

The table below shows liabilities at 31 December, 2024 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The undiscounted maturity analysis of financial liabilities by contractual maturities at 31 December 2024 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 month	From 12 months to 5 years	Over 5 years	No maturity	Total
Liabilities							
Due to banks	(216,472,146)	(1,244,411)	(92,864,704)	-	-	-	**(310,581,261)**
Customer accounts	(790,433,594)	(222,909,323)	(752,969,428)	(203,387,806)	-	-	**(1,969,700,151)**
Term borrowings	-	(5,390,569)	(19,690,751)	(95,573,341)	(202,383,298)	-	**(323,037,959)**
Lease liability	(33,982)	(75,335)	(735,330)	(4,730,298)	(6,468,716)	-	**(12,043,661)**
Other financial liabilities	(6,463,191)	-	-	-	-	-	**(6,463,191)**
Total financial liabilities	**(1,013,402,913)**	**(229,619,638)**	**(866,260,213)**	**(303,691,445)**	**(208,852,014)**	**-**	**(2,621,826,223)**
Credit related commitments	**(302,754,509)**						

The undiscounted maturity analysis of financial liabilities by contractual maturities at 31 December, 2023 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 month	From 12 months to 5 years	Over 5 years	No maturity	Total
Liabilities							
Due to banks	(12,264,516)	(26,427,629)	(3,885,746)	(3,981,274)	-	-	**(46,559,165)**
Customer accounts	(991,928,549)	(273,788,047)	(840,843,313)	(192,973,520)	-	-	**(2,299,533,429)**
Term borrowings	-	(5,388,208)	(15,283,066)	(104,277,596)	(172,914,690)	-	**(297,863,560)**
Lease liability	(14,016)	(28,032)	(119,867)	(371,520)	-	-	**(533,435)**
Other financial liabilities	(6,175,239)	-	-	-	-	-	**(6,175,239)**
Total financial liabilities	**(1,010,382,320)**	**(305,631,916)**	**(860,131,992)**	**(301,603,910)**	**(172,914,690)**	**-**	**(2,650,664,828)**
Credit related commitments	**(211,118,010)**						

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Azerbaijan Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The table presents an analysis of liquidity position of the Group’s financial assets and liabilities by expected maturities as at 31 December 2024:

	Demand and less than 1 months	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Maturity undefined**	**Total**
31 December 2024							
ASSETS							
Cash and cash equivalents	378,079,599	83,166,784	-	-	-	-	461,246,383
Due from credit institutions	179,052,675	24,233,691	64,906,588	-	2,401,640	16,989	270,611,583
Loans to customers	94,980,298	97,767,251	338,557,071	950,443,015	381,207,979	-	1,862,955,614
Investment securities	2,030,250	4,066,349	79,059,938	204,940,204	-	534,058	290,630,799
Other financial assets	6,999,052	-	-	-	-	-	6,999,052
Total financial assets	**661,141,874**	**209,234,075**	**482,523,597**	**1,155,383,219**	**383,609,619**	**551,047**	**2,892,443,431**
LIABILITIES							
Due to banks and financial institutions	(216,332,720)	(510,000)	(91,900,000)	-	-	-	(308,742,720)
Customer accounts	(791,234,408)	(217,622,576)	(740,256,988)	(194,392,461)	-	-	(1,943,506,433)
Term borrowings	(556,871)	(3,373,662)	(14,854,539)	(74,665,555)	(159,216,702)	-	(252,667,329)
Lease liability	(35,093)	(73,882)	(690,666)	(3,631,839)	(3,273,617)	-	(7,705,097)
Other financial liabilities	(6,463,191)	-	-	-	-	-	(6,463,191)
Total financial liabilities:	**(1,014,622,283)**	**(221,580,120)**	**(847,702,193)**	**(272,689,855)**	**(162,490,319)**	**-**	**(2,519,084,770)**
Liquidity gap	**(353,480,409)**	**(12,346,045)**	**(365,178,596)**	**882,693,364**	**221,119,300**	**551,047**	**373,358,661**

The table presents an analysis of liquidity position of the Group’s financial assets and liabilities by expected maturities as at 31 December, 2023:

	Demand and less than 1 months	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**Maturity undefined**	**Total**
31 December 2023							
ASSETS							
Cash and cash equivalents	289,506,069	23,478,700	-	-	-	-	312,984,769
Due from credit institutions	189,946,157	19,287,583	84,434,796	-	2,301,222	-	295,969,758
Loans to customers	64,763,403	106,190,652	395,527,831	884,494,781	359,312,644	-	1,810,289,311
Investment securities	51,619,162	95,002,427	36,017,275	276,096,251	-	536,897	459,272,012
Other financial assets	9,041,642	-	-	-	-	-	9,041,642
Total financial assets	**604,876,433**	**243,959,362**	**515,979,902**	**1,160,591,032**	**361,613,866**	**536,897**	**2,887,557,492**
LIABILITIES							
Due to banks	(26,358,411)	-	(3,700,380)	(3,500,000)	-	-	(33,558,791)
Customer accounts	(986,691,971)	(267,903,959)	(821,360,755)	(176,047,150)	-	-	(2,252,003,835)
Term borrowings	(416,917)	(3,672,796)	(11,205,683)	(87,256,111)	(137,589,308)	-	(240,140,815)
Lease liability	(13,933)	(27,616)	(114,437)	(299,848)	-	-	(455,834)
Other financial liabilities	(6,175,239)	-	-	-	-	-	(6,175,239)
Total financial liabilities:	**(1,019,656,471)**	**(271,604,371)**	**(836,381,255)**	**(267,103,109)**	**(137,589,308)**	**-**	**(2,532,334,514)**
Liquidity gap	**(414,780,038)**	**(27,645,009)**	**(320,401,353)**	**893,487,923**	**224,024,558**	**536,897**	**355,222,978**

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed in 2024.

The Group is exposed to interest rate risks as entities in the Group borrow funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The ALMC also manages interest rate and market risks by matching the Group’s interest rate position, which provides the Group with a positive interest margin. The Department of Financial Control conducts monitoring of the Group’s current financial performance, estimates the Group’s sensitivity to changes in interest rates and its influence on the Group’s profitability.

The majority of the Group’s loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Interest rate risk

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Department of Financial Control conducts monitoring of the Group’s current financial performance, estimates the Group’s sensitivity to changes in fair value interest rates and its influence on the Group’s profitability.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on “reasonably possible changes in the risk variable”. The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit before tax:

	31 December 2024		**31 December, 2023**	
	Interest rate +1%	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**
Financial assets				
Cash and cash equivalents	3,813,470	(3,813,470)	1,749,276	(1,749,276)
Amounts due from credit institutions	885,002	(885,002)	1,024,309	(1,024,309)
Loan and advances to customers	18,539,731	(18,539,731)	18,032,799	(18,032,799)
Investment securities	2,794,550	(2,794,550)	4,542,844	(4,542,844)
Financial assets				
Due to banks	2,891,980	(2,891,980)	143,536	(143,536)
Customer accounts	11,960,135	(11,960,135)	12,905,930	(12,905,930)
Term borrowings	2,521,105	(2,521,105)	2,397,239	(2,397,239)
Lease liability	77,051	(77,051)	4,558	(4,558)

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

	Demand and less than 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2024							
ASSETS							
Cash and cash equivalents	298,183,539	83,166,784	-	-	-	79,896,060	**461,246,383**
Due from credit institutions	-	23,769,591	64,730,625	-	-	182,111,367	**270,611,583**
Loans to customers	85,997,754	97,767,251	338,557,071	950,443,015	381,207,979	8,892,544	**1,862,865,614**
Investment securities	-	1,700,270	72,814,540	204,940,204	-	11,175,785	**290,630,799**
Other financial assets	-	-	-	-	-	6,999,052	**6,999,052**
Total financial assets	**384,181,293**	**206,403,896**	**476,102,236**	**1,155,383,219**	**381,207,979**	**289,074,808**	**2,892,353,431**
LIABILITIES							
Due to banks	(197,298,000)	(91,900,000)	-	-	-	(19,544,720)	**(308,742,720)**
Customer accounts	(48,249,262)	(217,573,279)	(735,810,025)	(194,380,957)	-	(747,492,910)	**(1,943,506,433)**
Term borrowings	-	(3,373,662)	(14,854,539)	(74,665,555)	(159,216,702)	(556,871)	**(252,667,329)**
Lease liability	(35,093)	(73,882)	(690,666)	(3,631,839)	(3,273,617)	-	**(7,705,097)**
Other financial liabilities	-	-	-	-	-	(6,463,191)	**(6,463,191)**
Total financial liabilities:	**(245,582,355)**	**(312,920,823)**	**(751,355,230)**	**(272,678,351)**	**(162,490,319)**	**(774,057,692)**	**(2,519,084,770)**
Interest rate gap	**138,598,938**	**(106,516,927)**	**(275,252,994)**	**882,704,868**	**218,717,660**	**(484,982,884)**	**373,268,661**

	Demand and less than 1 months	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2023							
ASSETS							
Cash and cash equivalents	151,449,316	23,478,700	-	-	-	138,056,753	**312,984,769**
Due from credit institutions	-	18,742,848	83,688,033	-	-	193,538,877	**295,969,758**
Loans to customers	57,754,007	106,190,652	395,527,831	884,494,781	359,312,644	7,009,396	**1,810,289,311**
Investment securities	50,478,236	92,723,703	34,986,198	276,096,249	-	4,987,626	**459,272,012**
Other financial assets	-	-	-	-	-	9,041,642	**9,041,642**
Total financial assets	**259,681,559**	**241,135,903**	**514,202,062**	**1,160,591,030**	**359,312,644**	**352,634,294**	**2,887,557,492**
LIABILITIES							
Due to banks	(10,553,200)	-	(300,378)	(3,500,000)	-	(19,205,213)	**(33,558,791)**
Customer accounts	(31,587,526)	(267,673,708)	(815,844,843)	(175,486,891)	-	(961,410,867)	**(2,252,003,835)**
Term borrowings	-	(3,672,796)	(11,205,683)	(87,256,111)	(137,589,308)	(416,917)	**(240,140,815)**
Lease liability	(13,933)	(27,616)	(114,437)	(299,848)	-	-	**(455,834)**
Other financial liabilities	-	-	-	-	-	(6,175,239)	**(6,175,239)**
Total financial liabilities:	**(42,154,659)**	**(271,374,120)**	**(827,465,341)**	**(266,542,850)**	**(137,589,308)**	**(987,208,236)**	**(2,532,334,514)**
Interest rate gap	**217,526,900**	**(30,238,217)**	**(313,263,279)**	**894,048,180**	**221,723,336**	**(634,573,942)**	**355,222,978**

The Group monitors interest rates for its financial instruments. The table below summarizes interest rates based on reports reviewed by key management personnel:

31 December 2024	**USD**	**AZN**	**EUR**	**Other currency**
Financial assets				
Cash and cash equivalents	4.21	-	2.73	4.35
Amounts due from credit institutions	4.65	-	4.59	-
Loan and advances to customers	4.45	9.04	5.01	-
Investment securities	5.53	6.76	5.20	-
Financial assets				
Due to banks	3.26	7.00	2.20	-
Customer accounts	2.72	10.86	0.33	-
Term borrowings	-	2.45	-	-
Lease liability	-	8.70	-	-

31 December 2023	**USD**	**AZN**	**EUR**	**Other currency**
Financial assets				
Cash and cash equivalents	4.97	-	3.86	5.15
Amounts due from credit institutions	4.31	-	5.37	-
Loan and advances to customers	4.17	8.19	3.77	-
Investment securities	5.48	7.91	5.20	-
Financial assets				
Due to banks	4.00	6.45	3.10	-
Customer accounts	0.92	5.39	0.88	-
Term borrowings	-	2.71	-	-
Lease liability	-	7.18	-	-

Currency risk

The Group is exposed to effects of fluctuation in the prevailing local/foreign currency exchange rates on its financial position. Currency risk is the risk that movements in foreign exchange rates will affect the Group's income or the value of its portfolios of financial instruments.

The main element in the Group's risk policy regarding foreign currency risk is that there is no conscious effort to take a trading position in any currency. Limited open positions occur as a natural consequence of business operations only. The Group uses every effort to match its assets and liabilities by currency.

Exposure to foreign exchange risk faced by the Bank is also limited by the Central Bank of the Republic of Azerbaijan statutory requirements.

The foreign exchange exposures are managed by the Risk Management Department, who issue daily reports, reviewed and controlled by the Treasury Department. The table below summarizes the Group's exposure to foreign currency exchange rate risk at the end of the reporting period:

At 31 December 2024	**AZN**	**USD**	**EUR**	**Other currencies**	**Total**
Financial assets					
Cash and cash equivalents	29,127,624	267,635,045	81,750,390	82,733,324	**461,246,383**
Due from other banks	60322434	192,451,832	17,837,317	-	**270,611,583**
Loan and advances to customers	1,329,289,511	463,522,942	70,053,161	-	**1,862,865,614**
Investment securities	164,651,228	116,829,761	9,149,810	-	**290,630,799**
Other financial assets	4,959,064	2,027,072	12,916	-	**6,999,052**
Total financial assets	**1,588,349,861**	**1,042,466,652**	**178,803,594**	**82,733,324**	**2,892,353,431**
Financial liabilities					
Amounts due to banks and financial institutions	109,070,506	164,144,210	35,487,901	40,103	**308,742,720**
Customer accounts	800,693,910	913,273,316	147,224,371	82,314,836	**1,943,506,433**
Term borrowings	252,667,329	-	-	-	**252,667,329**
Lease liability	7,705,097	-	-	-	**7,705,097**
Other financial liabilities	6,183,565	245,961	33,665	-	**6,463,191**
Total financial liabilities	**1,176,320,407**	**1,077,663,487**	**182,745,937**	**82,354,939**	**2,519,084,770**
Net currency position	**412,029,454**	**(35,196,835)**	**(3,942,343)**	**378,385**	**373,268,661**

At 31 December 2023	**AZN**	**USD**	**EUR**	**Other currencies**	**Total**
Financial assets					
Cash and cash equivalents	169,098,844	33,317,875	25,478,694	85,089,356	**312,984,769**
Due from other banks	67,363,231	195,714,736	32,409,669	-	**295,969,758**
Loan and advances to customers	1,055,056,592	677,868,475	77,364,244	-	**1,810,289,311**
Investment securities	334,899,639	114,715,714	9,656,659	-	**459,272,012**
Other financial assets	6,516,419	2,484,375	36,606	4,242	**9,041,642**
Total financial assets	**1,633,335,353**	**1,024,182,669**	**144,945,872**	**85,093,598**	**2,887,557,492**
Financial liabilities					
Amounts due to banks	13,589,980	13,657,638	6,311,173	-	**33,558,791**
Customer accounts	1,047,464,248	979,612,648	139,861,426	85,065,513	**2,252,003,835**
Term borrowings	240,140,815	-	-	-	**240,140,815**
Lease liability	455,834	-	-	-	**455,834**
Other financial liabilities	4,082,874	1,798,836	293,265	264	**6,175,239**
Total financial liabilities	**1,305,733,751**	**995,069,122**	**146,465,864**	**85,065,777**	**2,532,334,514**
Net currency position	**327,601,602**	**29,113,547**	**(1,519,992)**	**27,821**	**355,222,978**

Currency risk sensitivity

The following table details the Group’s sensitivity to a 20% increase and decrease in the USD and Euro against the AZN. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 20% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	31 December 2024	31 December, 2023
US Dollars strengthening by 20% (2023: 20%)	(5,631,494)	4,658,168
US Dollars weakening by 20% (2023: 20%)	(5,631,494	(4,658,168)
Euro strengthening by 20% (2023: 20%)	(630,775)	(151,999)
Euro weakening by 20% (2023: 20%)	630,7775	151,999
Other currency strengthening by 20% (2023: 20%)	60,542	2,782
Other currency weakening by 20% (2023: 20%)	(60,542)	(2,782)

Limitations of sensitivity analysis

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

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

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

32. Events after the reporting period

There have been no subsequent events after 31 December 2024 that are expected to have a material effect on the Group’s financial statements.