

**“AZER-TURK BANK”  
OPEN JOINT STOCK COMPANY**

**Interim condensed financial statements**  
June 30, 2024

# “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

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## **STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE JUNE 30, 2024**

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The following statement is made with a view to distinguishing respective responsibilities of the management and those of the independent auditors in relation to the financial statements of “Azer-Turk Bank” Open Joint Stock Company (the “Bank”).

Management is responsible for the preparation of the interim condensed financial statements that present fairly the financial position of Open Joint Stock Company Azer-Turk Bank (‘the Bank’) as of 30 June 2024, and the results of its operations, cash flows and changes in equity for the six months then ended, in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

In preparing the interim condensed financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank’s financial position and statement of comprehensive income;
- Making an assessment of the Bank’s ability to continue as a going concern;
- Stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the interim condensed financial statements; and
- Preparing the interim condensed financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank’s transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The interim condensed financial statements of the Bank for the six months ended 30 June 2024 were approved by management on 31 October 2024:

### **On behalf of the Management**

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Mr. Orkhan Huseynov  
Chairman of the Management Board  
Baku, the Republic of Azerbaijan

31 October 2024

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Mr. Orkhan Gadirbey  
Deputy Chairman of the Management Board  
Baku, the Republic of Azerbaijan

31 October 2024

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

### To the Shareholders and the Supervisory Board of Azer-Turk Bank OJSC

#### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Open Joint Stock Company Azer-Turk Bank (the "Bank") as of 30 June 2024 and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six months then ended and selected explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

#### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Other matter

The interim condensed financial information as of 30 June 2023 and for the six-month period then ended was not reviewed.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

  
Jamal Hasanov  
Engagement Partner  
31 October 2024



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# “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

## INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2024

(Figures in tables are in thousands of Azerbaijani Manats)

	<i>Notes</i>	June 30, 2024 ( <i>unaudited</i> )	December 31, 2023
<b>Assets</b>			
Cash and cash equivalents	3, 17	469,961	310,816
Amounts due from credit institutions	4, 17	169,243	106,510
Loans to customers	5, 17	745,012	444,033
Investment securities	6, 17	95,828	65,325
Property and equipment		16,998	16,413
Intangible assets		5,826	6,007
Other assets	9	8,172	20,626
<b>Total assets</b>		<b>1,511,040</b>	<b>969,730</b>
<b>Liabilities</b>			
Amounts due to credit institutions and government organizations	10, 17	376,107	292,177
Amounts due to customers	11, 17	1,016,940	569,963
Lease liabilities	9	3,148	4,384
Current income tax liability		2,287	1,805
Deferred income tax liabilities	7	434	444
Other liabilities	9	19,446	20,149
<b>Total liabilities</b>		<b>1,418,362</b>	<b>888,922</b>
<b>Equity</b>			
	12		
Share capital		50,000	50,000
Retained earnings		43,842	30,454
Fair value reserve		(1,164)	354
<b>Total equity</b>		<b>92,678</b>	<b>80,808</b>
<b>Total liabilities and equity</b>		<b>1,511,040</b>	<b>969,730</b>

Signed and authorized for release on behalf of the Management Board of the Bank:

\_\_\_\_\_  
**Mr. Orkhan Huseynov**  
 Chairman of the Management Board  
 Baku, the Republic of Azerbaijan

31 October 2024

\_\_\_\_\_  
**Mr. Orkhan Gadirbey**  
 Deputy Chairman of the Management Board  
 Baku, the Republic of Azerbaijan

31 October 2024

*The accompanying notes on pages 8 to 30 are an integral part of these financial statements*

# “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2024

(Figures in tables are in thousands of Azerbaijani Manats)

	<i>Notes</i>	<i>Six months ended June 30, 2024 (unaudited)</i>	<i>Six months ended June 30, 2023 (unaudited, not reviewed)</i>
<b>Interest income</b>			
Loans to customers		33,354	20,457
Amounts due from credit institutions		13,340	7,042
Investment securities		2,720	2,659
<b>Interest income calculated using the effective interest method</b>		<b>49,414</b>	<b>30,158</b>
<b>Interest expense</b>			
Amounts due to customers		(15,100)	(5,547)
Amounts due to credit institutions and government organizations		(4,914)	(4,792)
Lease liabilities	9	(706)	(364)
		<b>(20,720)</b>	<b>(10,703)</b>
<b>Net interest income</b>		<b>28,694</b>	<b>19,455</b>
Credit loss expense on financial assets	8	(979)	(978)
<b>Net interest income after impairment losses</b>		<b>27,715</b>	<b>18,477</b>
Fee and commission income	14	10,431	7,813
Fee and commission expense	14	(8,336)	(5,716)
<b>Fee and commission income, net</b>	14	<b>2,095</b>	<b>2,097</b>
Net gains from foreign currencies:			
- dealing		7,251	6,382
- translation differences		85	166
Other income		553	337
<b>Non-interest income</b>		<b>9,984</b>	<b>8,982</b>
Personnel expenses	15	(13,649)	(9,529)
General and administrative expenses	15	(5,477)	(4,794)
Depreciation and amortization		(2,336)	(2,550)
Provision for credit related commitments and other impairment	9,13	(5)	23
<b>Non-interest expenses</b>		<b>(21,467)</b>	<b>(16,850)</b>
<b>Profit before income tax expense</b>		<b>16,232</b>	<b>10,609</b>
Income tax expense	7	(2,845)	(2,008)
<b>Profit for the period</b>		<b>13,387</b>	<b>8,601</b>

Signed and authorized for release on behalf of the Management Board of the Bank:

\_\_\_\_\_  
**Mr. Orkhan Huseynov**  
Chairman of the Management Board  
Baku, the Republic of Azerbaijan

31 October 2024

\_\_\_\_\_  
**Mr. Orkhan Gadirbey**  
Deputy Chairman of the Management Board  
Baku, the Republic of Azerbaijan

31 October 2024

The accompanying notes on pages 8 to 30 are an integral part of these financial statements

# “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

## INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2024

(Figures in tables are in thousands of Azerbaijani Manats)

	<i>Notes</i>	<i>Six months ended June 30, 2024 (unaudited)</i>	<i>Six months ended June 30, 2023 (unaudited, not reviewed)</i>
<b>Profit for the period</b>		<b>13,387</b>	<b>8,601</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Changes in allowances for expected credit losses on debt instruments at FVOCI	6	(40)	(228)
Net change in fair value of debt instruments at fair value through other comprehensive income	6	(1,857)	69
Income tax relating to components of other comprehensive income	7	379	32
<b>Total other comprehensive income to be reclassified to profit or loss for the year, net of tax</b>		<b>(1,518)</b>	<b>(127)</b>
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods</i>			
Net change in fair value of equity instruments at fair value through other comprehensive income	6	-	-
Income tax relating to components of other comprehensive income	7	-	-
<b>Total other comprehensive expense that shall not be reclassified to profit or loss for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Other comprehensive expense/income for the year, net of tax</b>		<b>(1,518)</b>	<b>(127)</b>
<b>Total comprehensive income for the year</b>		<b>11,869</b>	<b>8,474</b>

Signed and authorized for release on behalf of the Management Board of the Bank:

\_\_\_\_\_  
**Mr. Orkhan Huseynov**  
 Chairman of the Management Board  
 Baku, the Republic of Azerbaijan

31 October 2024

\_\_\_\_\_  
**Mr. Orkhan Gadirbey**  
 Deputy Chairman of the Management Board  
 Baku, the Republic of Azerbaijan

31 October 2024

The accompanying notes on pages 8 to 30 are an integral part of these financial statements

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2024

(Figures in tables are in thousands of Azerbaijani Manats)

	<b>Share capital</b>	<b>Fair value reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
<b>As ast January 1, 2023</b>	<b>50,000</b>	<b>(30)</b>	<b>14,735</b>	<b>64,705</b>
Net profit for the year	-	-	8,601	8,601
Other comprehensive loss for the period	-	(126)	-	(126)
<b>June 30, 2023 (unaudited, not reviewed)</b>	<b>50,000</b>	<b>(156)</b>	<b>23,336</b>	<b>73,180</b>
<b>As ast January 1, 2024</b>	<b>50,000</b>	<b>354</b>	<b>30,454</b>	<b>80,808</b>
Net profit for the year	-	-	13,387	13,387
Other comprehensive income for the period	-	(1,518)	-	(1,518)
<b>June 30, 2024 (unaudited)</b>	<b>50,000</b>	<b>(1,163)</b>	<b>43,841</b>	<b>92,677</b>

Signed and authorized for release on behalf of the Management Board of the Bank:

\_\_\_\_\_  
**Mr. Orkhan Huseynov**  
 Chairman of the Management Board  
 Baku, the Republic of Azerbaijan

31 October 2024

\_\_\_\_\_  
**Mr. Orkhan Gadirbey**  
 Deputy Chairman of the Management Board  
 Baku, the Republic of Azerbaijan

31 October 2024

The accompanying notes on pages 8 to 30 are an integral part of these financial statements



# “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

## INTERIM CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2024

(Figures in tables are in thousands of Azerbaijani Manats)

	<i>Notes</i>	<i>Six months ended June 30, 2024 (unaudited)</i>	<i>Six months ended June 30, 2023 (unaudited, not reviewed)</i>
<b>Cash flows from operating activities</b>			
Interest received		48,317	27,714
Interest paid		(18,701)	(9,615)
Fees and commissions received		10,472	7,780
Fees and commissions paid		(7,748)	(5,782)
Net realized gains from currency dealing operations		7,251	6,382
Personnel expenses paid		(13,044)	(9,209)
General and administrative expenses paid		(7,916)	(2,261)
Other income received		553	337
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>19,184</b>	<b>15,346</b>
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		(63,187)	2,718
Loans to customers		(301,492)	(82,755)
Other assets		15,133	(327)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to credit institutions and government organizations		76,650	(169,347)
Amounts due to customers		447,026	(123,023)
Other liabilities		(2,406)	(5,081)
<b>Net cash flows from / (used in) operating activities before income tax</b>		<b>190,908</b>	<b>(362,469)</b>
Income tax paid		(1,161)	(3,976)
<b>Net cash from/ (used in) operating activities</b>		<b>189,747</b>	<b>(366,445)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale and redemption of investment securities		65,555	89,035
Purchase of investment securities		(97,642)	(44,503)
Purchase of property and equipment		(2,542)	(2,579)
Acquisition of intangible assets		(483)	(408)
<b>Net cash (used in)/from investing activities</b>		<b>(35,112)</b>	<b>41,545</b>
<b>Cash flows from financing activities</b>			
Proceeds from amounts due to credit institutions and government organizations	10	20,181	19,113
Repayment of amounts due to credit institutions and government organizations	10	(7,082)	(7,647)
Lease liability paid	9	(1,577)	(1,545)
<b>Net cash provided from financing activities</b>		<b>11,522</b>	<b>9,922</b>
Effect of exchange rate fluctuations on cash and cash equivalents		(7,013)	(680)
<b>Net increase/(decrease)/ in cash and cash equivalents</b>		<b>159,145</b>	<b>(315,658)</b>
Cash and cash equivalents, beginning	3	310,816	435,322
<b>Cash and cash equivalents, ending</b>	3	<b>469,961</b>	<b>119,664</b>

Signed and authorized for release on behalf of the Management Board of the Bank:

\_\_\_\_\_  
**Mr. Orkhan Huseynov**  
Chairman of the Management Board  
Baku, the Republic of Azerbaijan

31 October 2024

\_\_\_\_\_  
**Mr. Orkhan Gadirbey**  
Deputy Chairman of the Management Board  
Baku, the Republic of Azerbaijan

31 October 2024

# “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

### 1. Principal activities

Azer-Turk Bank Open Joint Stock Company (the “Bank”) was incorporated in the Republic of Azerbaijan in May 1995. The Bank’s activities are regulated by the Central Bank of the Republic of Azerbaijan (the “CBAR”) and the Bank conducts its business under license number 234.

The Bank’s principal business activity is corporate and retail banking operations. This includes deposit taking and commercial lending in freely convertible currencies and in Azerbaijani manat (“AZN”), transfer payments in Azerbaijan and abroad, support of clients’ export/import transactions, foreign currency exchange and other banking services to its commercial and retail customers.

As at June 30, 2024, the Bank’s network comprised of head office, 1 customer service department and 14 branches (2023: head office, 1 customer service department, 12 branches).

The number of Bank’s employees as at June 30, 2024 was 645 (2023: 587).

The Bank’s registered address is 85 J. Mammadguluzade Street, 192/193, Baku, AZ1078, the Republic of Azerbaijan.

As at June 30, the following shareholders owned the outstanding shares of the Bank:

<i>Shareholder</i>	<i>June 30, 2024, % (unaudited)</i>	<i>December 31 2023, %</i>
Government of the Republic of Azerbaijan	75.00	75.00
T.C. Ziraat Bankasi A.Ş	12.37	12.37
“AzRe Reinsurance” OJSC	6.55	6.55
“Qala Life” Insurance Company OJSC	5.00	5.00
“Ziraat Bank International AG”	1.08	1.08
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

As at June 30, 2024 and December 31, 2023, the ultimate shareholder of the Bank is the Government of the Republic of Azerbaijan, acting through the State Service on Property Issues under the Ministry of Economy of the Republic of Azerbaijan (the “Government”).

According to the decision of the General Meeting of Shareholders in July 2024, 51% of the state-owned shares in the authorized capital of the Bank are to be transferred to State Oil Company of Azerbaijan Republic. However, the necessary procedures are in progress and have not been completed yet.

In August 2020, in order to improve the business activity of the government-owned organizations, the President of the Republic of Azerbaijan approved decree on establishment of Azerbaijan Investment Holding (“AIH”) and on November 5, 2020, the list of state-owned companies to be transferred to the management of Azerbaijan Investment Holding was approved. The transfer of the “Azer-Turk Bank” OJSC to the management of the AIH and the regulation of a number of related issues was approved by the Decree of the President of the Republic of Azerbaijan dated September 22, 2021.

These financial statements were authorised for issue on 31 October 2024 by the Management Board.

### Business environment

The Bank’s operations are primarily located in Azerbaijan. Consequently, the Bank 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 economy of Azerbaijan is particularly sensitive to oil and gas prices. During recent years, the Azerbaijani Government continued major economic and social reforms to accelerate transition to a more balanced economy and reduce dependence on the oil and gas sector. High oil and gas prices in six months 2024 sustained a strong external position and created significant surplus in the country’s current account and increased foreign currency reserves. The Central Bank of Azerbaijan Republic (CBAR) maintained stability of the Azerbaijani manat, which was kept flat at 1.7000 for 1 USD since 2018. The CBAR refinancing rate was decreased from 8.25 to 8.00 per cent in 2023 and further decreased to 7.25 per cent on May 2024, to address stable prices in global markets and decreased inflationary pressure in Azerbaijan.

# “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

In February 2022, because of the military conflict between the Russian Federation and Ukraine, a number of countries imposed sanctions against the Russian Federation. The ongoing war in Ukraine and conflict in Israel and Gaza continue to pose risks on the economy, including from another surge in food prices all over the world. A slowdown in some major economies could also lead to fluctuations in oil and gas prices and affect exports and budget revenues, as well as economic activity. The financial statements reflect management's assessment of the impact of the Azerbaijani business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

## 2. Basis of preparation

### General

This interim condensed financial statements for the six months ended 30 June 2024, have been prepared on a going concern basis and in accordance with IAS 34 Interim Financial Reporting.

**This interim condensed financial statements for the six months ended 30 June 2024** have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. These financial statements have been prepared assuming that the Bank is a going concern and will continue in operation for the foreseeable future. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Bank's annual financial statements as at December 31, 2023.

### Changes in accounting policies

The accounting policies and methods adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended December 31, 2023.

Several amendments apply for the first time in 2024, but do not have an impact on the condensed interim financial statements of the Bank:

- Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7:
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback:
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current.

The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 3. Cash and cash equivalents

Cash and cash equivalents comprise:

	<b>June 30, 2024</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2023</b>
Cash on hand	34,411	18,708
Current accounts with the CBAR	73,996	18,020
Current accounts with other banks	45,914	36,541
Time deposits with the CBAR up to 90 days	15,800	16,500
Time deposits with other banks up to 90 days	299,840	221,047
<b>Cash and cash equivalents</b>	<b>469,961</b>	<b>310,816</b>

Current accounts with other banks consist of correspondent account balances with resident and non-resident banks in the amount of AZN 186 thousand (2023: AZN 1,336 thousand) and AZN 45,728 thousand (2023: AZN 35,205 thousand), respectively.

Time deposits with other banks up to 90 days consist of short-term deposits and overnight placements at non-resident banks in the amount of AZN 299,840 thousand (2023: AZN 221,047 thousand).

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

As at June 30, 2024 the Bank has three correspondent account balance (December 31, 2023: one) with outstanding balance exceeding 10% of total current accounts with other banks. The gross value of this balance as at June 30, 2024 is 45,694 AZN thousand (December 31, 2023: AZN 23,334 thousand).

As at June 30, 2024 the Bank has three short-term deposit balances (December 31, 2023: five) with outstanding balance exceeding 10% of total time deposits with other banks up to 90 days. The gross value of this balance as at June 30, 2024 is 299,839 AZN thousand (December 31, 2023: 215,053 AZN thousand).

An analysis by credit quality of amounts of cash and cash equivalents (excluding cash on hand) is as follows:

	<b>June 30, 2024</b> <i>(unaudited)</i>	<b>December 31,</b> <b>2023</b>
rated A- to A+ (Fitch Ratings)	280,105	181,958
rated BBB- to BBB+ (Fitch Ratings)	54,864	246
rated below BBB- (Fitch Ratings)	5,636	107,096
not rated	5,149	2,808
<b>Total correspondent accounts with other banks</b>	<b>345,754</b>	<b>292,108</b>

All balances of cash equivalents are allocated to Stage 1. As at June 30, 2024 and December 31, 2023 ECL relating to cash and cash equivalents rounds to zero.

#### 4. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	<b>June 30, 2024</b> <i>(unaudited)</i>	<b>December 31,</b> <b>2023</b>
Time deposits for more than 90 days	67,040	63,734
Obligatory reserve with the CBAR	100,589	41,576
Pledged accounts with credit institutions	1,745	1,742
Reverse repurchase agreements with credit institutions up to 3 months	-	-
<b>Total gross amount for Loans to Banks</b>	<b>169,374</b>	<b>107,052</b>
Less: allowance for impairment losses	(131)	(542)
<b>Total Loans to Banks</b>	<b>169,243</b>	<b>106,510</b>

As at June 30, 2024, time deposits for more than 90 days include interest-bearing time deposits in the amount of AZN 67,040 thousand placed in 14 different resident and non-resident credit institutions (2023: AZN 63,734 thousand placed 11 different resident and non-resident credit institution).

As at June 30, 2024, blocked accounts with credit institutions represented funds blocked by one (December 31, 2023: one) non-resident credit institutions against letters of guarantee and letters of credit (December 31, 2023: letters of guarantee and letters of credit) issued to four customers (December 31, 2023 one customers).

As at June 30, 2024, accrued interest income included in due from banks and other financial institutions amounted to AZN 933 thousand (December 31, 2023: AZN 1,241 thousand).

All balances of due from credit institutions are allocated to Stage 1. As at June 30, 2024 ECL relating to amounts due from credit institutions equals to AZN 131 thousand (December 31, 2023: AZN 542 thousand).

As at June 30, 2024, the mandatory cash balances with CBAR totaling AZN 100,589 thousand (December 31, 2023: AZN 41,576 thousand) are included in Due from credit institutions. As at June 30, 2024, credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with CBAR according to new differentiation criteria. The differentiation criteria are as follows:

- Whether the deposits of legal entities in local currency are less than AZN 1,000,000 thousand (AZN 750,000 thousand for foreign currency);
- Whether the proportion of deposits from related parties to total deposits is below than 20%;
- Whether the proportion of connected deposits to total deposits is below than 20%.

Due to these criteria the Bank maintained mandatory reserves in CBAR at between 5%-25% of the previous month average balances of certain liabilities in AZN and 6%-25% of the previous month average balances of certain liabilities in foreign currencies respectively, depending on whether the proportion of deposits from related parties and connected

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

deposits is more than 20%, attracted from customers by the credit institutions. This is an increase from the previous rates of 4% and 5% respectively, which were in effect until 01 November 2023 when the CBAR made the decision to increase the rates.

#### 5. Loans to customers

Loans to customers comprise:

	<b>June 30, 2024</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2023</b>
Loans to individuals-consumer	271,568	234,633
Loans to government-owned entities	251,459	-
Loans to individuals-mortgage	185,847	174,646
Corporate loans	28,200	28,285
Loans to individuals-entrepreneurship	18,982	15,639
<b>Gross loans to customers at amortized cost</b>	<b>756,056</b>	<b>453,203</b>
Less: allowance for expected credit losses	(11,044)	(9,169)
<b>Loans to customers at amortized cost</b>	<b>745,012</b>	<b>444,033</b>

#### Concentration of loans to customers

Loans are made principally in the following industry sectors:

	<b>June 30, 2024</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2023</b>
Individuals	457,408	409,298
Oil and gas	255,347	3,189
Trading enterprises	27,415	23,217
Others	13,291	14,855
Manufacturing	1,466	1,757
Agriculture and food processing	1,035	888
Transport	93	-
<b>Loans to customers, gross</b>	<b>756,056</b>	<b>453,203</b>

As at June 30, 2024, The Bank had a concentration of loans represented by AZN 272,239 thousand or 36.0% of the gross loan portfolio (December 31, 2023: AZN 18,585 thousand or 4.1%) due from ten (December 31, 2023: ten) largest borrowers of the Bank. An allowance of AZN 150 thousand (December 31, 2023: 145 thousand) was recognized against these loans.

In January 2024 the Bank issued loan to government-owned entity State Oil Company of Azerbaijan Republic in amount of AZN 212,500 which was fully collateralized by term deposits.

As at June 30, 2024 accrued interest income included in loans to customers amounted to AZN 5,542 thousand (December 31, 2023: AZN 4,176 thousand).

#### Allowance for impairment of loans to customers at amortized cost

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans to individuals-mortgage during the six months ended June 30, 2024 is as follows:

<b>Loans to individuals-mortgage</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying value as at January 1, 2024</b>	<b>172,318</b>	<b>1,294</b>	<b>1,034</b>	<b>174,645</b>
New assets originated or purchased	18,101	150	-	18,251
Assets repaid	(6,643)	(196)	(211)	(7,049)
Transfers to Stage 1	507	(507)	-	-
Transfers to Stage 2	(698)	896	(198)	-
Transfers to Stage 3	-	(61)	61	-
Recoveries	-	-	-	-
Amounts written off	-	-	(1)	(1)
<b>At June 30, 2024 (unaudited)</b>	<b>183,585</b>	<b>1,576</b>	<b>684</b>	<b>185,846</b>

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

<i>Loans to individuals-mortgage</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at January 1, 2024</b>	<b>(19)</b>	<b>(81)</b>	<b>(732)</b>	<b>(833)</b>
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>				
New assets originated or purchased	(1)	(3)	-	<b>(5)</b>
Assets repaid	-	9	108	<b>118</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	15	(19)	4	-
Transfers to Stage 3	-	7	(7)	-
Net remeasurement of loss allowance	(8)	55	231	<b>278</b>
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>				
Unwinding of discount (recognized as a reduction in interest income for stage 3 loans)	-	-	(28)	<b>(28)</b>
Recoveries	-	-	-	-
Amounts written off	-	-	1	<b>1</b>
<b>At June 30, 2024 (unaudited)</b>	<b>(13)</b>	<b>(32)</b>	<b>(423)</b>	<b>(469)</b>

An analysis of changes in the gross carrying value and corresponding ECL in relation to individuals-consumer loans during the six months ended June 30, 2024 is as follows:

<i>Loans to individuals-consumer</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying value as at January 1, 2024</b>	<b>218,979</b>	<b>5,964</b>	<b>9,691</b>	<b>-</b>	<b>234,635</b>
New assets originated or purchased	120,155	525	86	-	<b>120,766</b>
Assets repaid	(81,891)	(963)	(1,224)	-	<b>(84,078)</b>
Net remeasurement of POCI	-	-	-	67	<b>67</b>
Transfers to Stage 1	393	(393)	-	-	-
Transfers to Stage 2	(4,622)	4,730	(109)	-	-
Transfers to Stage 3	(1,455)	(2,193)	3,648	-	-
Recoveries	-	-	182	-	-
Amounts written off	-	-	(3)	-	<b>182</b>
<b>At June 30, 2024 (unaudited)</b>	<b>251,560</b>	<b>7,671</b>	<b>12,271</b>	<b>67</b>	<b>271,569</b>

<i>Loans to individuals-consumer</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>ECL as at January 1, 2024</b>	<b>(784)</b>	<b>(1,419)</b>	<b>(5,492)</b>	<b>-</b>	<b>(7,695)</b>
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>					
New assets originated or purchased	(712)	(142)	(39)	-	<b>(893)</b>
Assets repaid	202	81	221	-	<b>504</b>
Transfers to Stage 1	(2)	2	-	-	-
Transfers to Stage 2	1,099	(1,124)	24	-	-
Transfers to Stage 3	658	990	(1,648)	-	-
Net remeasurement of loss allowance	(2,007)	(193)	699	(67)	<b>(1,568)</b>
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>					
Unwinding of discount (recognized as a reduction in interest income for stage 3 loans)	-	-	(199)	-	<b>(199)</b>
Recoveries	-	-	(182)	-	<b>(182)</b>
Amounts written off	-	-	3	-	<b>3</b>
<b>At June 30, 2024 (unaudited)</b>	<b>(1,548)</b>	<b>(1,803)</b>	<b>(6,613)</b>	<b>(67)</b>	<b>(10,029)</b>

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate loans during six months ended June 30, 2024 is as follows:

<b>Corporate loans</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying value as at January 1, 2024</b>	<b>21,916</b>	<b>3,393</b>	<b>2,975</b>	<b>28,285</b>
New assets originated or purchased	4,440	3,411	-	7,851
Assets repaid	(3,841)	(3,223)	(895)	(7,959)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(16)	(170)	185	-
Recoveries	-	-	23	23
Amounts written off	-	-	-	-
<b>At June 30, 2024 (unaudited)</b>	<b>22,499</b>	<b>3,411</b>	<b>2,290</b>	<b>28,200</b>

<b>Corporate loans</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECL as at January 1, 2024</b>	<b>(67)</b>	<b>(144)</b>	<b>(427)</b>	<b>(638)</b>
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>				
New assets originated or purchased	(1)	(149)	-	(150)
Assets repaid	-	144	-	144
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	22	(22)	-
Net remeasurement of loss allowance	65	(22)	107	150
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>				
Unwinding of discount (recognized as a reduction in interest income for stage 3 loans)	-	-	(16)	(16)
Recoveries	-	-	(23)	(23)
Amounts written off	-	-	-	-
<b>At June 30, 2024 (unaudited)</b>	<b>(3)</b>	<b>(149)</b>	<b>(382)</b>	<b>(534)</b>

An analysis of changes in the gross carrying value and corresponding ECL in relation to government-owned entities loans during six months ended June 30, 2024 is as follows:

<b>Loans to government-owned entities</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying value as at January 1, 2024</b>	-	-	-	-
New assets originated or purchased	251,459	-	-	251,459
Assets repaid	-	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
<b>At June 30, 2024 (unaudited)</b>	<b>251,459</b>	-	-	<b>251,459</b>

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans individuals-entrepreneurship during the six months ended June 30, 2024 is as follows:

<i>Loans to individuals-entrepreneurship</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying value as at January 1, 2024</b>	<b>15,564</b>	-	<b>74</b>	<b>15,638</b>
New assets originated or purchased	10,219	-	-	<b>10,219</b>
Assets repaid	(6,729)	-	(147)	<b>(6,876)</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(41)	-	41	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
	<u>19,014</u>	<u>-</u>	<u>(32)</u>	<u>18,982</u>
<b>At June 30, 2024 (unaudited)</b>	<b>19,014</b>	<b>-</b>	<b>(32)</b>	<b>18,982</b>

<i>Loans to individuals-entrepreneurship</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECL as at January 1, 2024</b>	<b>17</b>	<b>(1)</b>	<b>(19)</b>	<b>(3)</b>
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>				
New assets originated or purchased	(3)	-	-	<b>(3)</b>
Assets repaid	0	-	-	-
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	7	-	(7)	-
Net remeasurement of loss allowance	(26)	1	18	<b>(7)</b>
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>				
Unwinding of discount (recognized as a reduction in interest income for stage 3 loans)	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
	<u>(5)</u>	<u>-</u>	<u>(7)</u>	<u>(13)</u>
<b>At June 30, 2024 (unaudited)</b>	<b>(5)</b>	<b>-</b>	<b>(7)</b>	<b>(13)</b>

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

<i>Loans to individuals-mortgage</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying value as at January 1, 2023</b>	<b>142,109</b>	<b>891</b>	<b>638</b>	<b>143,638</b>
New assets originated or purchased	43,233	220	-	<b>43,453</b>
Assets repaid	(11,998)	(397)	(50)	<b>(12,445)</b>
Transfers to Stage 1	350	(350)	-	-
Transfers to Stage 2	(919)	1,020	(100)	-
Transfers to Stage 3	(457)	(90)	547	-
Unwinding of discount	-	-	-	-
Recoveries	-	-	-	-
Amounts written off	-	-	(1)	<b>(1)</b>
	<u>172,318</u>	<u>1,294</u>	<u>1,034</u>	<u>174,646</u>
<b>At December 31, 2023</b>	<b>172,318</b>	<b>1,294</b>	<b>1,034</b>	<b>174,646</b>



## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

<i>Loans to individuals-mortgage</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at January 1, 2023</b>	<b>(115)</b>	<b>(10)</b>	<b>(128)</b>	<b>(253)</b>
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>				
New assets originated or purchased	(7)	(13)	-	(20)
Assets repaid	3	3	28	34
Transfers to Stage 1	3	(3)	-	-
Transfers to Stage 2	1	(10)	9	-
Transfers to Stage 3	0	1	(1)	-
Net remeasurement of loss allowance	95	(49)	(600)	(554)
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>				
Unwinding of discount (recognized as a reduction in interest income for stage 3 loans)	-	-	(39)	(39)
Recoveries	-	-	-	-
Amounts written off	-	-	(1)	(1)
<b>At December 31, 2023</b>	<b>(20)</b>	<b>(81)</b>	<b>(732)</b>	<b>(833)</b>

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

<i>Loans to individuals-consumer</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>Gross carrying value as at January 1, 2023</b>	<b>138,790</b>	<b>2,403</b>	<b>4,031</b>	<b>74</b>	<b>145,298</b>
New assets originated or purchased	171,529	2,769	2,098	-	176,396
Assets repaid	(85,216)	(756)	(1,147)	(74)	(87,193)
Net remeasurement of POCI	-	-	-	-	-
Transfers to Stage 1	241	(241)	-	-	-
Transfers to Stage 2	(2,980)	2,993	(13)	-	-
Transfers to Stage 3	(3,386)	(1,204)	4,590	-	-
Unwinding of discount	-	-	-	-	-
Recoveries	-	-	229	-	229
Amounts written off	-	-	(97)	-	(97)
<b>At December 31, 2023</b>	<b>218,978</b>	<b>5,964</b>	<b>9,691</b>	<b>-</b>	<b>234,633</b>

<i>Loans to individuals-consumer</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
<b>ECL as at January 1, 2023</b>	<b>(1,116)</b>	<b>(395)</b>	<b>(2,757)</b>	<b>-</b>	<b>(4,268)</b>
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>					
New assets originated or purchased	(665)	(730)	(915)	-	(2,310)
Assets repaid	489	41	430	-	960
Transfers to Stage 1	62	(61)	(1)	-	-
Transfers to Stage 2	31	(39)	8	-	-
Transfers to Stage 3	30	219	(249)	-	-
Net remeasurement of loss allowance	385	(453)	(1,789)	-	(1,857)
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>					
Unwinding of discount (recognized as a reduction in interest income for stage 3 loans)	-	-	(88)	-	(88)
Recoveries	-	-	(229)	-	(229)
Amounts written off	-	-	97	-	97
<b>At December 31, 2023</b>	<b>(784)</b>	<b>(1,418)</b>	<b>(5,493)</b>	<b>-</b>	<b>(7,695)</b>

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

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

<b>Corporate loans</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross carrying value as at January 1, 2023</b>	<b>26,619</b>	<b>132</b>	<b>2,080</b>	<b>28,831</b>
New assets originated or purchased	8,567	3,251	606	12,424
Assets repaid	(13,029)	(111)	(369)	(13,509)
Transfers to Stage 1	21	(21)	-	-
Transfers to Stage 2	(143)	143	-	-
Transfers to Stage 3	(119)	-	119	-
Unwinding of discount	-	-	-	-
Recoveries	-	-	539	539
Amounts written off	-	-	-	-
<b>At December 31, 2023</b>	<b>21,916</b>	<b>3,394</b>	<b>2,975</b>	<b>28,285</b>
<b>Corporate loans</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>ECL as at January 1, 2023</b>	<b>(208)</b>	<b>(25)</b>	<b>(424)</b>	<b>(657)</b>
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>				
New assets originated or purchased	(1)	(144)	(157)	(302)
Assets repaid	40	25	52	117
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	3	(3)	-	-
Transfers to Stage 3	1	-	(1)	-
Net remeasurement of loss allowance	98	3	742	843
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>				
Unwinding of discount (recognized as a reduction in interest income for stage 3 loans)	-	-	(100)	(100)
Recoveries	-	-	(539)	(539)
Amounts written off	-	-	-	-
<b>At December 31, 2023</b>	<b>(67)</b>	<b>(144)</b>	<b>(427)</b>	<b>(638)</b>

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans individuals-entrepreneurship during the year ended December 31, 2023 is as follows:

<i>Loans to individuals-entrepreneurship</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>Gross carrying value as at January 1, 2023</b>	<b>6,602</b>	-	<b>73</b>	<b>6,675</b>
New assets originated or purchased	13,676	-	-	<b>13,676</b>
Assets repaid	(4,714)	-	-	<b>(4,714)</b>
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Unwinding of discount	-	-	1	1
Recoveries	-	-	-	-
Amounts written off	-	-	-	-
<b>At December 31, 2023</b>	<b>15,564</b>	-	<b>74</b>	<b>15,638</b>

<i>Loans to individuals-entrepreneurship</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
<b>ECL as at January 1, 2023</b>	<b>(100)</b>	-	-	<b>(100)</b>
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>				
New assets originated or purchased	(2)	-	-	(2)
Assets repaid	112	-	-	112
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	2	(2)	-
Net remeasurement of loss allowance	7	(3)	(16)	(12)
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>				
Unwinding of discount (recognized as a reduction in interest income for stage 3 loans)	-	-	-	-
Recoveries	-	-	(1)	(1)
Amounts written off	-	-	-	-
<b>At December 31, 2023</b>	<b>17</b>	<b>(1)</b>	<b>(19)</b>	<b>(3)</b>

#### Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- ▶ For corporate and governmental lending, charges over real estate properties and blocked cash;
- ▶ For retail lending, mortgages over residential properties.

Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement during its review of the adequacy of the allowance for loan impairment. As at 30 June 2024, the maximum exposure of collateralized loans in Stage 3 amounted to AZN 777 thousand (December 31,2023: AZN 1,231 thousand) for which ECL of AZN 32 thousand (December 31,2023: AZN 32 thousand) was recognized. If these loans were not collateralized the ECL amount for these loans would be AZN 777 thousand (December 31,2023: 964 thousand)

#### Loans issued at below-market interest rate

During the year ended 30 June 2024, there was no loan issued at a below-market interest rate. (2023: nil).

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

#### 6. Investment securities

Investment securities comprises:

	<i>June 30, 2024</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2023</i>
<b>Debt securities at FVOCI</b>		
Notes issued by the CBAR	15,159	21,971
Notes issued by the Ministry of Finance of the Republic of Azerbaijan	22,122	14,607
Notes issued by the Ministry of Finance of the Republic of Azerbaijan pledged for Repo agreements	29,469	8,810
Corporate bonds	28,959	19,818
<b>Total of debt securities</b>	<b>95,709</b>	<b>65,206</b>
<b>Equity securities at FVOCI</b>		
Corporate shares	119	119
<b>Total amount of investment securities at FVOCI</b>	<b>95,828</b>	<b>65,325</b>

The movements in allowances for credit losses were as follows:

	<i>June 30, 2024</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2023</i>
<b>ECL as at January 1</b>	<b>(133)</b>	<b>(263)</b>
New assets originated or purchased	(29)	(29)
Remeasurement	70	159
<b>ECL end of period</b>	<b>(93)</b>	<b>(133)</b>

During 2024, new corporate bonds amounted AZN 4,789 thousand at interest rate of 6.0% from BB- rated companies were obtained. (2023: AZN 1,984 thousand at interest rate of 6.0% from B rated Companies and AZN 1,948 thousand at interest rate 5.0%-6.0% from not rated companies).

All balances of investment securities are allocated to Stage 1. The Bank did not recognize any credit loss allowance for investment securities for 30 June 2024 and 31 December 2023.

As at June 30, 2024, accrued interest income included in investment securities amounted to AZN 1,542 thousand (December 31,2023: AZN 1,107 thousand).

Details of corporate unquoted shares designated as FVOCI are:

Name	Nature of business	% of ownership	<i>June 30, 2024</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2023</i>
“Milli Kart” LLC	Card processing	2.4	119	120
Bashak Inam Insurance Company	Insurance company	5.0	-	282
<b>Total investment securities</b>			<b>119</b>	<b>402</b>

The Bank recognized loss in OCI on fair value change of investment securities in the amount of AZN 1,910 thousand during the year ended June 30, 2024 (December 31,2023: AZN -69 thousand loss on fair value change of debt investment securities).

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

#### 7. Taxation

The corporate income tax expense comprises:

	<i>June 30, 2024</i> <i>(unaudited)</i>	<i>June 30, 2023</i> <i>(unaudited, not reviewed)</i>
Current income tax charge	(2,496)	(2,122)
Deferred income tax credit – origination and reversal of temporary differences	(349)	94
Add: Previous year’s profit tax remeasurement	-	20
<b>Income tax expense</b>	<b><u>(2,845)</u></b>	<b><u>(2,008)</u></b>

#### 8. Credit loss recovery and other impairment and provisions

The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss for the year ended June 30, 2024 (unaudited) :

	<i>Note</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>POCI</i>	<i>Total</i>
Loans to customers at amortized cost	8	(714)	(339)	(309)	(67)	(1,430)
Investment securities		40	-	-	-	40
Due from credit institutions		411	-	-	-	411
<b>Credit (loss)/gain on financial assets</b>		<b><u>(263)</u></b>	<b><u>(339)</u></b>	<b><u>(309)</u></b>	<b><u>(67)</u></b>	<b><u>(979)</u></b>
Financial guarantees	18	(2)	-	-	-	(2)
<b>Credit related commitments</b>		<b><u>(2)</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(2)</u></b>
<b>Total credit loss (expense)/recovery</b>		<b><u>(266)</u></b>	<b><u>(339)</u></b>	<b><u>(309)</u></b>	<b><u>(67)</u></b>	<b><u>(981)</u></b>

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

The table below shows the ECL charges on financial instruments recorded in the statement of profit or loss for the year ended June 30, 2023 (unaudited):

	<b>Note</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>POCI</b>	<b>Total</b>
Loans to customers at amortized cost	8	(574)	228	(687)	-	(1,033)
Investment securities		191	-	-	-	191
Due from credit institutions		(136)	-	-	-	(136)
<b>Credit (loss)/gain on financial assets</b>		<b>(519)</b>	<b>228</b>	<b>(687)</b>	<b>-</b>	<b>(978)</b>
Financial guarantees	18	183	-	-	-	183
<b>Credit related commitments</b>		<b>183</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>183</b>
<b>Total credit loss (expense)/recovery</b>		<b>(336)</b>	<b>228</b>	<b>(687)</b>	<b>-</b>	<b>(795)</b>

Provisions for credit related commitments and performance guarantees are recorded in other liabilities.

### 9. Other assets and liabilities

Other assets comprise:

	<b>June 30, 2024 (unaudited)</b>	<b>December 31, 2023</b>
<b>Other financial assets</b>		
Receivables from intermediaries	3,721	14,118
Settlements on money transfers	528	471
Settlements on operations with cards	418	2,677
Derivative financial assets measured at FVPL	46	540
<b>Total other financial assets</b>	<b>4,713</b>	<b>17,806</b>
<b>Other non-financial assets</b>		
Prepayments for services	1,526	1,892
Repossessed collaterals	1,029	854
Prepayments for acquisition of property, equipment and intangible assets	497	-
Deferred expenses	352	-
Settlements with government budget	55	74
<b>Total other non-financial assets</b>	<b>3,459</b>	<b>2,820</b>
<b>Total amount for Other assets</b>	<b>8,172</b>	<b>20,626</b>

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

Other liabilities comprise:

	<i>June 30, 2024</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2023</i>
<b>Other financial liabilities</b>		
Funds in settlement	15,102	15,291
Accrued expenses	1,500	1,991
Payable to employees	1,189	581
Blocked accounts of customers	-	612
<b>Total other financial liabilities</b>	<b>17,791</b>	<b>18,475</b>
<b>Other non-financial liabilities</b>		
Settlements with government budget	1,040	1,104
Deferred income	607	566
Provision for ECL for credit related commitment and other provision (Note 18)	8	4
<b>Total other non-financial liabilities</b>	<b>1,655</b>	<b>1,674</b>
<b>Other liabilities</b>	<b>19,446</b>	<b>20,149</b>

The movements in lease liability were as follows:

	<i>June 30, 2024</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2023</i>
<b>As at January 1</b>	<b>4,384</b>	<b>4,266</b>
Additions	257	562
Derecognitions	(401)	-
Remeasurement	111	2,154
Interest expense	374	639
Payments	(1,577)	(3,237)
<b>As at end of period</b>	<b>3,148</b>	<b>4,384</b>

#### 10. Amounts due to credit institutions and government organizations

Amounts due to credit institutions and government organizations comprise:

	<i>June 30, 2024</i> <i>(unaudited)</i>	<i>December 31,</i> <i>2023</i>
Current accounts	174,012	115,415
Amounts due to the Azerbaijan Mortgage and Credit Guarantee Fund	183,429	169,790
Time deposits and loans	14,706	2,538
Loans received from the Entrepreneurship Development Fund	3,252	3,727
Amounts due to the Ministry of Finance	613	612
Amounts due to CBAR	95	95
<b>Amounts due to credit institutions and government organizations</b>	<b>376,107</b>	<b>292,177</b>

# “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

### 11. Amounts due to customers

The amounts due to customers include the following:

	<b>June 30, 2024</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2023</b>
Current accounts	488,465	351,123
Time deposits	498,456	210,298
Borrowings under repurchase agreements	30,019	8,542
<b>Amounts due to customers</b>	<b>1,016,940</b>	<b>569,963</b>
Held as security against guarantees and letters of credit (Note 18)	4,623	8,074
Held as security against loans to customers	273,249	1,112
Held as security against other purposes	-	-

As at June 30, 2024 the Bank had 65 customers (December 31, 2023: 45 customers) with balances above AZN 1,000 thousand. The aggregate balance of these customers was AZN 835,718 thousand (December 31, 2023: AZN 390,805 thousand) or 69% (December 31, 2023 69%) of total customer accounts.

Customer accounts by economic sectors are as follows:

	<b>June 30, 2024</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2023</b>
State and public organizations	347,320	141,465
Individuals	275,179	215,100
Trade and Services	249,910	36,516
Insurance companies and other non-bank financial institutions	86,913	62,895
Transportation and communication	40,690	91,516
Other	10,297	12,358
Construction	4,044	6,212
Manufacturing	2,565	3,881
Agriculture	23	19
<b>Amounts due to customers</b>	<b>1,016,940</b>	<b>569,963</b>

### 12. Equity

As at June 30, 2024 and December 31, 2023, the Bank's share capital is represented by authorized, issued and fully paid up 50,000,000 ordinary shares with nominal amount of 1 (one) Azerbaijani manat per share. Each ordinary share carries one vote.

The share capital of the Bank was contributed by shareholders in Azerbaijani manats and they are entitled to dividends and any capital distribution in Azerbaijani manat.

#### Fair value reserve

This reserve records fair value changes on financial assets at FVOCI.

### 13. Commitment and contingencies

#### Legal

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



# “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

### Taxation

Tax legislation in Azerbaijan is subject to varying interpretations, and changes can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities. Recent events within the Republic of Azerbaijan suggest that the tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of the Bank that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities.

Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. The last tax audit covered second quarter of 2015 and third quarter of 2016.

In management's view, the relevant legislation as at June 30, 2024 is appropriate and the Bank's tax, currency and customs positions will be sustained.

### Insurance

The Bank has not currently obtained insurance coverage related to liabilities arising from errors or omissions.

### Compliance with CBAR requirements

CBAR requires banks to maintain certain prudential norms computed based on statutory financial statements. As at June 30, 2024 and December 31, 2023, the Bank was in compliance with these norms.

### Financial commitments and contingencies

The Bank provides guarantees and letters of credit to customers with primary purpose of ensuring that funds are available to a customer as required. Guarantees and standby letters of credit represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank 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.

The undrawn loan commitment agreements stipulate the right of the Bank to unilaterally withdraw from the agreement should any conditions unfavourable to the Bank arise, including change of the refinance rate, inflation, exchange rates and others.

As at June 30, 2024, the Bank's commitments and contingencies comprised the following:

	<b>June 30, 2024</b> <b>(unaudited)</b>	<b>December 31,</b> <b>2023</b>
<b>Credit related commitments</b>		
Financial guarantees	31,893	35,310
Undrawn loan commitments	13,320	13,696
Letters of credit	1,093	597
	<b>46,306</b>	<b>49,603</b>
Performance guarantees	9,664	4,879
<b>Commitments and contingencies</b>	<b>55,970</b>	<b>54,482</b>
Provisions for ECL for credit related commitments	7	5
Deposits held as security against financial guarantees (Note 16)	891	6,808
Deposits held as security against performance guarantees (Note 16)	2,639	1,266
Deposits held as security against letters of credit (Note 16)	1093	-

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

#### Financial commitments and contingencies

An analysis of changes in the ECLs during the year ended June 30, 2024 is as follows:

<i>Credit related commitments</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Total</i>
<b>ECLs as at January 1, 2024</b>	<b>(4)</b>	-	<b>(4)</b>
New exposures	(4)	-	(4)
Exposures derecognised or matured (excluding write-offs)	1	-	1
Transfers to Stage 1	-	-	-
Net remeasurement of loss allowance	-	-	-
<b>At June 30, 2024</b>	<b>(7)</b>	-	<b>(7)</b>

An analysis of changes in the ECLs during the year ended December 31, 2022 is as follows:

<i>Credit related commitments</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Total</i>
<b>ECLs as at January 1, 2023</b>	<b>(168)</b>	<b>(20)</b>	<b>(188)</b>
New exposures	(2)	-	(2)
Exposures derecognised or matured (excluding write-offs)	180	6	186
Transfers to Stage 1	(14)	14	-
Net remeasurement of loss allowance	-	-	-
<b>At December 31, 2023</b>	<b>(4)</b>	-	<b>(4)</b>

As at June 30, 2024 and December 31, 2023 ECL relating to undrawn loan commitments is zero.

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

#### 14. Net fee and commission income

Net fee and commission income comprises:

	<b>June 30, 2024</b> <b>(unaudited)</b>	<b>June 30, 2023</b> <b>(unaudited, not reviewed)</b>
Servicing plastic card operations	5,658	2,736
Settlement operations	2,251	2,411
Cash operations	960	853
Other	546	488
Foreign exchange operations	514	864
Guarantees and letters of credit	502	461
<b>Fee and commission income</b>	<b>10,431</b>	<b>7,813</b>
Servicing plastic card operations	(6,804)	(4,390)
Other	(907)	(607)
Settlement transactions	(440)	(516)
Cash transactions	(167)	(154)
Guarantees and letters of credit	(18)	(48)
<b>Fee and commission expense</b>	<b>(8,336)</b>	<b>(5,716)</b>
<b>Net fee and commission income</b>	<b>2,095</b>	<b>2,097</b>

#### 15. Personnel, general and administrative expenses

Personnel expenses comprise:

	<b>June 30, 2024</b> <b>(unaudited)</b>	<b>June 30, 2023</b> <b>(unaudited, not reviewed)</b>
Salaries and bonuses	(10,794)	(7,564)
Social security costs	(2,490)	(1,777)
Other employee related expenses	(365)	(188)
<b>Personnel expenses</b>	<b>(13,649)</b>	<b>(9,529)</b>

General and administrative expenses comprise:

	<b>June 30, 2024</b> <b>(unaudited)</b>	<b>June 30, 2023</b> <b>(unaudited, not reviewed)</b>
Data processing	(1,089)	(596)
Deposit insurance expenses	(770)	(361)
Communication	(727)	(429)
Other	(466)	(391)
Marketing and advertising	(464)	(332)
Operating Taxes other than Income Taxes	(423)	(41)
Office Supplies	(357)	(190)
Utility Expenses	(331)	(230)
Legal and Consultancy	(287)	(1,514)
Repairs and Maintenance of property and equipment	(201)	(395)
Business Travel	(181)	(160)
Security	(152)	(135)
Membership Expenses	(23)	(20)
Auction expenses	(6)	(1)
<b>Total general and administrative expenses</b>	<b>(5,477)</b>	<b>(4,794)</b>

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

#### 16. Fair value measurement

##### Fair value hierarchy

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

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For the purpose of fair value disclosures, the Bank 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.

	<i>Date of valuation</i>	<i>Fair value measurement using</i>			<i>Total</i>
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
<b>Assets measured at fair value</b>					
Investment securities at FVOCI	June 30, 2024	34,528	61,300	-	<b>95,828</b>
Other financial assets (derivatives measured at FVPL (FX SWAP))	June 30, 2024	-	46	-	<b>46</b>
<b>Assets for which fair values are disclosed</b>					
Cash and cash equivalents	June 30, 2024	34,411	435,550	-	<b>469,961</b>
Amounts due from credit institutions	June 30, 2024	-	169,243	-	<b>169,243</b>
Loans to customers	June 30, 2024	-	-	743,486	<b>743,486</b>
Other financial assets	June 30, 2024	-	-	8,172	<b>8,172</b>
<b>Liabilities for which fair values are disclosed</b>					
Amounts due to credit institutions and government	June 30, 2024	-	406,195	-	<b>406,195</b>
Amounts due to customers	June 30, 2024	-	518,484	498,181	<b>1,016,665</b>
Lease liabilities	June 30, 2024	-	-	3,148	<b>3,148</b>
Other financial liabilities	June 30, 2024	-	-	19,445	<b>19,445</b>

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets measured at fair value</b>					
Investment securities at FVOCI	December 31, 2023	14,152	51,173	-	65,325
Other financial assets (derivatives measured at)	December 31, 2023	-	540	-	540
<b>Assets for which fair values are disclosed</b>					
Cash and cash equivalents	December 31, 2023	18,708	292,108	-	310,816
Amounts due from credit institutions	December 31, 2023	-	106,510	-	106,510
Loans to customers	December 31, 2023	-	-	442,165	442,165
Other financial assets	December 31, 2023	-	-	17,266	17,266
<b>Liabilities for which fair values are disclosed</b>					
Amounts due to credit institutions and government organizations	December 31, 2023	-	292,177	-	292,177
Amounts due to customers	December 31, 2023	-	359,665	208,739	568,404
Lease liabilities	December 31, 2023	-	-	4,384	4,384

#### 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 Bank's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value June 30, 2024 (unaudited)	Fair value June 30, 2024 (unaudited)	Carrying value December 31, 2023	Fair value December 31, 2023
<b>Financial assets</b>				
Cash and cash equivalents	469,961	469,961	310,816	310,816
Amounts due from credit institutions	169,243	169,243	106,510	106,510
Investment securities	95,828	95,828	65,325	65,325
Loans to customers	745,012	743,486	444,033	442,165
Other financial assets	8,172	8,172	17,806	17,806
<b>Financial liabilities</b>				
Amounts due to credit institutions and government organizations	376,107	376,107	292,177	292,177
Amounts due to customers	1,016,940	1,016,665	569,963	568,404
Lease liabilities	3,148	3,148	4,384	4,384
Other financial liabilities	19,446	19,446	18,475	18,475

#### Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for assets and liabilities recorded at fair value in the financial statements and those items that are not measured at fair value in the statement of financial position, but whose fair value is disclosed.

# “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

### Investment securities at FVOCI

Investment securities at FVOCI 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.

### Derivative financial assets

The fair values of derivative financial instruments are recorded as assets or liabilities. The notional amount is the amount of a derivative's underlying asset or liability, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

### 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 government organizations and credit institutions and other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

## 17. Related party disclosures

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the six months are as follows:

	June 30, 2024 (unaudited)			December 31, 2023		
	Shareholders	Entities under common control	Key management personnel	Shareholders	Entities under common control	Key management personnel
<b>Loans outstanding at January 1, gross</b>	-	-	416	-	-	162
Loans issued during the year	-	212,500	12	-	-	311
Loan repayments during the year	-	-	(3)	-	-	(58)
<b>Loans outstanding at June 30</b>	-	<b>212,500</b>	<b>424</b>	-	-	<b>415</b>

## “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

### NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

	June 30, 2024 (unaudited)			December 31, 2023		
	Shareholders	Entities under common control	Key management personnel	Shareholders	Entities under common control	Key management personnel
<b>Deposits at January 1</b>	-	-	-	3,707	-	-
Deposits received during the year	-	58,770	-	-	-	-
Deposits repaid during the year	-	-	-	(3,707)	-	-
<b>Deposits at June 30</b>	-	<b>58,770</b>	-	-	-	-

	June 30, 2024 (unaudited)			December 31, 2023		
	Shareholders	Entities under common control	Key management personnel	Shareholders	Entities under common control	Key management personnel
Current accounts	3,997	39,844	1,767	1,469	139,398	1,851
Cash and cash equivalents	2,091	-	-	197	119,601	-
Due from credit institutions	3,634	-	-	5,453	-	-
Due to credit institutions and government organizations	-	79,265	-	-	174,203	-
Investment securities	-	67,847	-	-	43,886	-

	June 30, 2024 (unaudited)			December 31, 2023		
	Shareholders	Entities under common control	Key management personnel	Shareholders	Entities under common control	Key management personnel
Interest income on due from credit institutions	161	1,318	-	57	-	-
Interest income on investment securities	-	2,023	-	-	1,707	-
Interest income on loans	-	6,629	17	-	-	-
Interest expense on customer deposits	-	946	1	-	336	1
Interest expense on due to credit institutions and government organizations	14	2,596	-	21	1,907	-
Other operating expenses	-	2,482	1,767	-	-	-
Operating income	-	-	-	-	-	-

Compensation of key management personnel is as follows:

	June 30, 2024 (unaudited)	Year ended December 31, 2023
Salaries and other benefits	591	818
Social security costs	145	200
<b>Total key management personnel compensation</b>	<b>736</b>	<b>1,018</b>

# “AZER-TURK BANK” OPEN JOINT STOCK COMPANY

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2024 (Continued)

(Figures in tables are in thousands of Azerbaijani Manats)

### 18. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored by the CBAR in supervising the Bank.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No change was made in the objectives, policies and processes from the previous years.

As at June 30, 2024 the Bank's regulatory capital after deductions were AZN 91,118 thousand which is in the range of the required minimum of AZN 50,000 thousand set by CBAR (December 31, 2023: AZN 78,437 thousand)

The government of Azerbaijan Republic stands ready to provide capital injection necessary to ensure Bank's compliance with regulatory requirements of the CBAR and enable it to continue normal operations.

Management believes that the Bank will not face any sanctions against the Bank in the future.

#### CBAR capital adequacy ratio

The CBAR requires banks to maintain a minimum Tier 1 and total capital adequacy ratio of 5% (December 31, 2023: 5%) and 10% (December 31, 2023: 10%), respectively, of risk-weighted assets for regulatory capital.

As at June 30, 2024 and December 31, 2023, the Bank's capital adequacy ratios on this basis were as follows:

	<b>June 30, 2024 (unaudited)</b>	<b>December 31, 2023</b>
Tier 1 capital	73,702	59,479
Tier 2 capital	19,061	19,078
Less: deductions from capital	(1,645)	(120)
<b>Total regulatory capital</b>	<b>91,118</b>	<b>78,437</b>
<b>Risk weighted assets</b>	<b>674,756</b>	<b>650,779</b>
Capital adequacy ratio (Tier 1)	10.92%	9.14%
Capital adequacy ratio (Total Capital)	13.50%	12.05%

### 19. Subsequent Events

According to the decision of the General Meeting of Shareholders in July 2024, 51% of the state-owned shares in the authorized capital of the Bank are to be transferred to State Oil Company of Azerbaijan Republic. Also, it was decided to increase the bank's share capital from 50 million manats to 79 million manats by increasing the nominal value of one share from 1 manat to 1.58 manats at the expense of 29 million manats of retained earnings for the years 2016-2023. However, the necessary procedures are in progress and have not been completed yet.