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“CredAgro” NBCO LLC

For the year ended December 31, 2024

Financial Statements and
Independent Auditor's Report

TABLE OF CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

FINANCIAL STATEMENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report is made with a view to distinguishing the respective responsibilities of the management and those of the independent auditors in relation to the financial statements of "CredAgro" NBCO LLC (the "Company").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Company as at December 31, 2024, the result so fits operations, cash flows and changes in equity for the financial year ended, in accordance with International Financial Reporting Standards ("IFRS") Accounting Standards.

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates those are reasonable and prudent;
- Stating whether IFRS Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Compliance with IFRS Accounting Standards requirements, provided that any material deviations are disclosed and explained in the financial statements and;
- If the Company will continue to operate under normal conditions in the near future, prepare financial statements for the reporting date based on the principle of sustainability.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Company, and which enable them to ensure that the financial statements of the Center comply with selected financial reporting framework;
- Maintaining statutory accounting records in compliance with legislation and accounting standard of the Republic of Azerbaijan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Detecting and preventing fraud, errors and other irregularities.

The financial statements for the date December 31, 2024 were authorized for issue on March 17, 2025 by the Management of the Company.

On behalf of the Management:

Anar Akbarov
Director

AZƏRBAYCAN RESPUBLİKASI
"KredAqro"
BANK OLMAYAN
KREDİT TƏŞKİLATI
MƏHDUD MƏSULİYYƏTLİ CƏMİYYƏTİ

Mayil Humbatli
Head accountant

Key audit matter

Allowance for Expected Credit Losses (ECL) on loans to customers

Loans granted to customers represent 66% of the Company's total assets, and an allowance for expected credit losses (ECL) has been recognized. The calculation and recognition of ECL is a critical element of financial reporting, as it directly affects the accuracy of financial statements and involves significant management judgment.

Assessing expected credit losses requires management to apply significant judgment in estimating the probability of default, expected losses, and risk exposure. This process involves the use of historical data, current economic conditions, and forward-looking information. The measurement of ECL on an individual basis requires analyzing expected future cash flows using scenario analysis, taking into account borrowers' financial position, expected collateral realizations, and other key risk factors.

Given the materiality of the loan portfolio, the complexity and subjectivity of ECL estimation, and the requirements of IFRS 9 – Financial Instruments, we have determined this to be a key audit matter.

Our audit approach

We have assigned our financial risk management experts to analyze the main aspects of the Company's methodology and policies regarding the calculation of expected credit losses in compliance with the requirements of "IFRS 9 Financial Instruments".

To assess the appropriateness of management's judgments and assumptions in the calculation of the provision for expected credit losses, we performed the following procedures:

We tested the accuracy of the data used to calculate the probability of default (PD), loss given default (LGD), and exposure at default (EAD) in selected loan samples.

For loans classified under Stage 3, where expected credit losses were assessed on an individual basis, we evaluated the Company's future cash flow estimates, expected recoveries from collateral, and anticipated sales conditions, using both our internal knowledge and publicly available data.

We also examined whether the disclosures in the financial statements appropriately reflect the Company's exposure to credit risk.

Based on the results of our audit procedures, we determined that the Company recognized an ECL allowance, but its measurement and recognition were not fully in accordance with IFRS 9. The financial impact of this matter is described in detail in the Basis for Qualified Opinion section.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

March 17, 2025

Baku, Azerbaijan Republic

RSM Azerbaijan

"CREDAGRO" NBCO LLC
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024
(Amounts presented are in Azerbaijan AZN, unless otherwise stated)

	Notes	31 December 2024	31 December 2023
Assets			
Current assets			
Cash and cash equivalents	7	430,348	284,443
Deposits placed at banks	8	305,777	2,687
Loans to customers	9	6,914,291	5,337,917
Property, plant and equipment	10	361,734	509,973
Intangible assets	10	143,566	125,700
Right of use assets	11	107,053	57,973
Non-current assets held for sale	12	911,539	1,038,088
Deferred tax assets	25	735,505	751,224
Other assets	13	569,708	466,258
Total assets		**10,479,521**	**8,574,263**
Equity and liabilities			
Equity			
Charter capital	14	1,000,300	452,300
Capital reserves	15	1,593,963	1,593,963
Retained earnings		2,516,765	2,952,682
Total equity		**5,111,028**	**4,998,945**
Liabilities			
Lease liability	11	116,564	20,066
Borrowings	16	3,384,745	257,596
Accrued interest payable	16	51,431	1,023,077
Borrowings from related parties	17	765,000	1,435,465
Debt securities	18	1,000,000	778,935
Other liabilites	19	50,753	60,179
Total liabilities		**5,368,493**	**3,575,318**
Total equity and liabilities		**10,479,521**	**8,574,263**

Approved for issue and signed on behalf of the Management on March 17, 2025.

Anar Akbarov
Director

"KredAqro"
BANK OLMAYAN
KREDİT TƏŞKİLATI
AZƏRBAYCAN RESPUBLİKASI
MƏHDUD MƏSULİYYƏTLİ CƏMİYYƏT

Mayil Humbatli
Head accountant

The notes on pages 9-49 are an integral part of the current financial statements.

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
Interest income	20	1,880,742	1,466,211
Interest expense	20	(415,389)	(230,849)
Net interest income		**1,465,353**	**1,235,362**
Expected credit loss charge		165,682	(143,059)
Net interest income after provision		**1,631,035**	**1,092,303**
Depreciation and amortisation expenses	10,11	(203,642)	(230,514)
General and administrative expenses	21	(521,980)	(491,357)
Finance cost on lease liability	11	(13,097)	(5,879)
Net fee and commission (expense)/ income	23	(50,679)	902
Proceeds from the recovery off write-off loans		84,363	687,615
Personnel expenses	24	(1,028,768)	(1,205,045)
Other income	22	249,693	213,095
Net exchange rate differences on foreign exchange transactions		-	(139)
Net non-interest expenses		**(1,484,110)**	**(1,031,322)**
Gain before income tax		**146,925**	**60,981**
Income tax (expense)/ benefit	25	(34,842)	26,497
Total comprehensive income for the year		**112,083**	**87,478**

Approved for issue and signed on behalf of the Management on March 17, 2025.

Anar Akbarov
Director

"KredAqro"
BANK OLMAYAN
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Mayil Humbatli
Head accountant

"CREDAGRO" NBCO LLC
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2024
(Amounts presented are in Azerbaijan AZN, unless otherwise stated)

	Charter capital	Capital reserves	Retained earnings	Total equity
December 31, 2022	**452,300**	**1,593,963**	**2,865,204**	**4,911,467**
Total comprehensive income for the year	-	-	87,478	87,478
December 31, 2023	**452,300**	**1,593,963**	**2,952,682**	**4,998,945**
Total comprehensive income for the year	-	-	112,083	112,083
Transfer from retained earnings to charter capital	548,000	-	(548,000)	-
December 31, 2024	**1,000,300**	**1,593,963**	**2,516,765**	**5,111,028**

Approved for issue and signed on behalf of the Management on March 17, 2025.

Anar Akbarov
Director

"KredAqro"
BANK OLMAYAN
KREDİT TƏŞKİLATI

Mayil Humbatli
Head accountant

"CREDAGRO" NBCO LLC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024
(Amounts presented are in Azerbaijan AZN, unless otherwise stated)

	Notes	31 December 2024	31 December 2023
Operating activities			
Profit before income tax		146,925	60,981
Adjustment for non-cash items:			
Interest income	20	(1,880,742)	(1,466,211)
Change of expected credit losses	9	(165,682)	143,059
Interest expense on term borrowings	20	415,389	230,849
Interest expense on lease liabilities	11	13,097	5,879
Loss/(gain) on disposal of property, plant and equipment		38,016	(7,994)
Debt forgiven by shareholder		(59,835)	-
Depreciation of property, plant and equipment		126,482	89,083
Amortization of intangible assets		23,634	83,616
Amortization of right of use asset		53,526	57,815
Cash outflow from operating activities before changes in operating assets and liabilities		**(1,289,190)**	**(802,923)**
Changes in operating assets and liabilities			
Changes in loans to customers		(1,373,402)	(174,334)
Changes in deposits placed at banks		(320,777)	434,264
Changes in non-current assets held for sale		126,549	148,763
Changes in other assets		(105,656)	(207,121)
Changes in other liabilities		(225,966)	(14,772)
Net cash outflow from operating activities before taxation and interest		**(3,188,442)**	**(616,123)**
Interest received on loans to customers		1,861,139	1,484,984
Interest paid on term borrowings		(382,162)	(251,582)
Net cash (outflow)/ inflow from operating activities		**(1,709,465)**	**617,279**
Investing activities			
Purchases of property and equipment	10	(16,259)	(189,905)
Purchases of intangible assets	10	(41,500)	(169,700)
Inflow from sale of property and equipment		-	196,863
Net cash outflow from investing activities:		**(57,759)**	**(162,742)**
Financing activities			
Proceeds from borrowings		3,958,677	2,802,675
Repayment of term debt obligations		(2,001,536)	(3,071,893)
Repayment of lease liabilities	11	(44,015)	(56,425)
Net cash inflow/ (outflow) from financing activities		**1,913,126**	**(325,643)**
Effect of changes in foreign exchange rate on cash and cash equivalents		-	(139)
Net increase in cash and cash equivalents		**145,905**	**128,894**
Cash and cash equivalents at the start of the year	7	**284,443**	**155,688**
Cash and cash equivalents at the end of the year	7	**430,348**	**284,443**

Approved for issue and signed on behalf of the Management on March 17, 2025.

Anar Akbarov
Director

AZƏRBAYCAN RESPUBLİKASI
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KREDİT TƏŞKİLATI
MƏHDUD MƏSULİYYƏTLİ CƏMİYYƏT

Mayil Humbatli
Head accountant

1. Information about company

Company and its principal activity

These financial statements have been prepared in accordance with International Financial Reporting Standards for the date December 31, 2024. "CredAgro" Non-Banking Credit Organization Limited Liability Company (the "Organization") is engaged in provision of loans to different sectors of the economy in the Republic of Azerbaijan. The Organization was established in accordance with the laws and regulations of the Republic of Azerbaijan on August 28, 2000.

The Organization is regulated by the Central Bank of the Republic of Azerbaijan and conducts its business under a license (replacing a license in July 15, 2015) number 119-GB dated November 14, 2017. The Organization's business is lending loans to customers.

As at December 31, 2024 the number of employees of the Company was 57 (December 31, 2023: 75).

Legal address of the Company

Ahmad Rajabli street, 1/6B, Badamar Plaza 1st floor, N. Narimanov district, Baku, Azerbaijan.

Ownership structure of the Company

The shareholder of the Company is as follows:

	December 31, 2024		December 31, 2023	
	%	Amount	%	Amount
"AqroMost Finans" LLC	100	1,000,300	100	452,300
Total charter capital	**100**	**1,000,300**	**100**	**452,300**

2. Operating environment

Azerbaijan's economy, like many emerging markets, continues to be influenced by global economic conditions, government policies, and fluctuations in energy prices. While the country remains focused on economic diversification, maintaining stability in key sectors is crucial for long-term growth. The future trajectory of Azerbaijan's economy largely depends on the effectiveness of fiscal and monetary policies, as well as crude oil prices and the stability of the national currency.

In 2024, Azerbaijan's GDP reached AZN 126.3 billion (USD 74.3 billion), reflecting a 2.7% growth compared to the previous year. Throughout 2024, economic performance was shaped by both external and domestic factors. Although fluctuations in global commodity prices and geopolitical uncertainties presented challenges, Azerbaijan benefited from a favorable trade environment. The country maintained a strong foreign trade turnover, recording a trade surplus of USD 5.5 billion in 2024.

Strategic foreign exchange reserves saw a notable increase, reaching USD 10.9 billion by November 2024, surpassing internationally recognized sufficiency levels and reinforcing the stability of the Azerbaijani manat.

2. Operating environment (continued)

The Central Bank of Azerbaijan continued its efforts to manage inflation and ensure macroeconomic stability. In 2023, the annual inflation rate stood at 9.5%, but by the end of 2024, inflation had eased to 4.9%, aligning with the Central Bank's target range of 4±2%. Key price changes included a 5.5% increase for food, 2.4% for non-food products, and 6.3% for services. To further support price stability, the refinancing rate was adjusted to 7.25% by the end of 2024, down from 8% in 2023.

International credit rating agencies continued to assess Azerbaijan's economic outlook. In 2023, Fitch and S&P assigned a "BB+" rating to Azerbaijan, while Moody's maintained a Ba1 rating. In 2024, these assessments reflected stronger confidence in Azerbaijan's fiscal policies and external balances. "Fitch Ratings" upgraded Azerbaijan to BBB–, citing sound fiscal management and positive economic fundamentals. Moody's revised its outlook to "positive" (Ba1, "positive"), while S&P reaffirmed its BB+/B rating with a stable outlook.

Despite these positive economic indicators, uncertainties remain. External risks, including fluctuations in global energy prices, geopolitical developments, and inflationary pressures, may impact financial stability. However, the ongoing implementation of economic policies and monetary measures is expected to help mitigate these risks.

The Company remains vigilant in monitoring macroeconomic trends to safeguard financial resilience and ensure long-term sustainability. As economic conditions evolve, management is prepared to adapt strategies proactively to maintain stability and support sustainable growth.

3. Material accounting policies

Basis of preparation

These 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. The material accounting policies applied in the preparation of these financial statements are set out below:

Going concern

These financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future.

Presentation currency

These financial statements are presented in Azerbaijan manat ("AZN"), unless otherwise stated.

Financial instruments - key measurement terms

Depending on their classification financial instruments are carried at fair value or AC.

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 best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

3. Material accounting policies (continued)

Financial instruments - key measurement terms (continued)

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Company: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities are substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows:

(i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost (AC) is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount.

3. Material accounting policies (continued)

Financial instruments - key measurement terms (continued)

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument.

Financial instruments – initial recognition

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the timeframe established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Company commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories

The Company classifies and measures financial assets at AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model

The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed.

Financial assets – classification and subsequent measurement – cash flow characteristics

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

3. Material accounting policies (continued)

Financial assets – reclassification

Financial instruments are reclassified only when the business model for managing the portfolio as a whole change. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Company did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for expected credit losses

The Company assesses, on a forward-looking basis, the expected credit losses (ECL) for debt instruments measured at AC. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions. Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL.

The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in stage 1. Financial assets in stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 26 for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in Note 26. The Note provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Company incorporates forward-looking information in the ECL models.

Financial assets – derecognition

The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial liabilities – measurement categories

Financial liabilities are classified as subsequently measured at AC.

Financial liabilities – derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3. Material accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value, but exclude any restricted cash.

Loans and advances to customers

Loans and advances to customers were carried at AC and impairment losses were recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which had an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

If the Company determined that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it included the asset in a group of financial assets with similar credit risk characteristics, and collectively assessed them for impairment.

The primary factors that the Company considered in determining whether a financial asset was impaired were its overdue status and realisability of related collateral, if any. The following other principal criteria were also used to determine whether there was objective evidence that a credit loss has occurred:

- any instalment was overdue and the late payment could not be attributed to a delay caused by the settlement systems;
- the borrower experienced a significant financial difficulty as evidenced by the borrower's financial information that the Company obtained;
- the borrower considered bankruptcy or a financial reorganisation;
- there was an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impacted the borrower; or
- the value of collateral significantly decreased as a result of deteriorating market conditions.

For the purposes of a collective evaluation of credit loss, financial assets were grouped on the basis of similar credit risk characteristics. Those characteristics were relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that were collectively evaluated for credit loss, were estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts would become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience was adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently. If the terms of an impaired financial asset held at AC were renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment were measured using the original effective interest rate before the modification of terms. The renegotiated asset were then derecognised and a new asset were recognised at its fair value only if the risks and rewards of the asset substantially changed.

3. Material accounting policies (continued)

Loans and advances to customers (continued)

This was normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows. Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. If, in a subsequent period, the amount of the credit loss decreases and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss was reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets were written off against the related credit loss allowance after all the necessary procedures to recover the asset had been completed and the amount of the loss had been determined. Subsequent recoveries of amounts previously written off were credited to credit loss account in profit or loss for the year.

Non-current assets held for sales

Non-current assets held for sales represents financial and non-financial assets acquired by the Company in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, other financial assets, investment properties or inventories within other assets depending on their nature and the Company's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are carried at cost less accumulated depreciation and, if necessary, impairment losses.

The initial cost of an asset consists of its purchase price or construction costs, costs directly attributable to the commissioning of the asset, initial estimates of its disposal obligation (if any) and the cost of debt obligations for all qualifying assets.

Depreciation and amortization

Depreciation of properties and equipment and amortization of intangible assets are calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives as follows:

Buildings	40 years
Furniture and fixtures	5 years
Computers and communication equipment	4 years
Vehicles	4 years
Intangible assets	10 years

3. Material accounting policies (continued)

Depreciation and amortization (continued)

The residual value of an asset is the estimated amount that the Company would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Company expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each period end date.

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Organization's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Once an asset is classified as held for sale or included in a group of assets held for sale, no further depreciation or amortization is recorded.

Term borrowings

Borrowed funds include loans from resident and non-resident banks and other financial institutions with fixed maturities and fixed interest rates. Borrowed funds are subsequently carried at amortized cost.

Income taxes

Income taxes have been provided for in the financial statements in accordance with Azerbaijani legislation enacted or substantively enacted by the period end date. The income tax charge comprises current tax and deferred tax and is recognised in the income statement, except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits for the current and prior periods. Taxable profits are based on estimates if financial statements are authorized prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and operating expenses. Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the initial recognition exemption, deferred taxes asset not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilized. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilized.

3. Material accounting policies (continued)

Uncertain tax positions

The Company's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Income and expense recognition

Interest income and expense are recorded in profit or loss for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the party to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

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

Commitment fees received by the Company to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Company will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Company does not designate loan commitments as financial liabilities at FVTPL.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Fee and commission income

Fee and commission income is recognised over time on a straight-line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Company's performance. Such income includes fees and commissions on guarantee letters.

Other fee and commission income is recognised at a point in time when the Company satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations.

Foreign currency translation

The functional currency of the Company is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and the Company's presentation currency is the national currency of the Republic of Azerbaijan, Azerbaijan manat ("AZN").

3. Material accounting policies (continued)

Foreign currency translation (continued)

Monetary assets and liabilities are translated into Company's functional currency at the official exchange rate of the CBAR at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into Company's functional currency at year-end official exchange rates of the CBAR are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

At December 31, 2024, the rate of exchange used for translating foreign currency balances denominated in United States dollars ("USD") was USD 1 = AZN 1.7000 (2023: USD 1 = AZN 1.7000).

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Personnel expenses 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 Company. The Company has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Lease contracts

The Company 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.

Company as a lessee

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

i) Right-of-use assets

The Company recognises 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 remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made at or before the commencement date less any lease incentives received.

3. Material accounting policies (continued)

Lease contracts (continued)

i) Right-of-use assets (continued)

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Company 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.

ii) Lease liabilities

At the commencement date of the lease, the Company recognises 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 Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised 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 Company 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 remeasured 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.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. The Company applies the short-term lease recognition exemptions to all lease agreements of the Company.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4. Critical accounting estimates and judgements in applying accounting policies

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

ECL measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed. 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 Company 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.

Significant increase in credit risk ("SICR")

In order to determine whether there has been a significant increase in credit risk, the Company 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 Company considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Company identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level.

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 Company considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity.

Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate.

The Company 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 Company's control, is not recurring and could not have been anticipated by the Company, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

4. Critical accounting estimates and judgements in applying accounting policies (continued)

Business model assessment (continued)

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets. The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

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 Company 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 par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (iii) the fair value of the prepayment feature is immaterial at initial recognition.

The Company'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.

Useful lives of property and equipment

Management determines the estimated useful lives and related depreciation charges for the property and equipment. This estimate is based on projected period over which the Company expects to consume economic benefits from the asset. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold. The useful lives are reviewed at least at each reporting date.

Initial recognition of related party transactions

In the normal course of business the Company enters into transactions with its related party. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis judgement is pricing for similar types of transactions with unrelated party and effective interest rate analysis.

4. Critical accounting estimates and judgements in applying accounting policies (continued)

Going concern

Management prepared these financial statements on a going concern basis. In making this judgement management considered the Company's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the recent financial crisis on future operations of the Company. According to management's estimates and measures, it is considered the Company would be able to adjust the needs of liquidity over the next twelve months and therefore current financial statements have been prepared on a going concern basis.

Pursuant to the requirements of Article 4 of the Rules of Prudential Regulation of Non-Bank Credit Institutions, in accordance with the organizational and legal form, the Company must have a minimum authorized capital (joint) of AZN 300,000 (three hundred thousand) and capital being below the minimum amount is not allowed.

5. Adoption of new or revised standards and interpretations

In the current year, the Company has adopted all new and revised standards issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee that are applicable to its activities and the reporting period ending on December 31, 2024.

The following amendments became effective from January 1, 2024.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on September 22, 2022 and effective for annual periods beginning on or after January 1, 2024)

The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means that any gain related to the right-of-use asset retained by the seller-lessee should be deferred, even when lease payments are variable and do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on January 23, 2020 and subsequently amended on July 15, 2020 and October 31, 2022, ultimately effective for annual periods beginning on or after January 1, 2024)

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

5. Adoption of new or revised standards and interpretations (continued)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on May 25, 2023 and effective for annual periods beginning on or after January 1, 2024)

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

Unless stated otherwise, the application of the above amendments had no significant impact on the Company's financial statements.

6. New accounting pronouncements

As of the date of approval of these financial statements, in addition to the standards and interpretations previously adopted by the Company before their respective effective dates, the IASB has issued new standards and interpretations that will become mandatory for annual periods beginning on or after January 1, 2025. The Company has not early adopted these standards and interpretations.

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

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

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

On May 30, 2024, the IASB issued amendments to IFRS 9 and IFRS 7 to:

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

6. New accounting pronouncements (continued)

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

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

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

IFRS 18 will replace IAS 1 while retaining most of its principles with limited modifications.

IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on May 9, 2024 and effective for annual periods beginning on or after January 1, 2027)

The International Accounting Standard Board (IASB) has issued a new IFRS Accounting Standard for subsidiaries. IFRS 19 permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements.

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

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

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

The requirements of these new standards and interpretations have not been applied in the preparation of these financial statements. The Management has assessed the potential impact of these new standards and interpretations and does not expect them to have a material effect on its financial statements upon adoption. These standards will be applied as required from their respective effective dates.

7. Cash and cash equivalents

The balances of cash and cash equivalents are as follows:

	December 31, 2024	December 31, 2023
Bank balances on demand in national currency	245,861	153,642
Cash on hand	155,257	106,796
Bank balances on demand in foreign currency	28,194	23,110
Cash in transit in national currency	1,036	895
Total cash and cash equivalents	**430,348**	**284,443**

The rating analysis of cash in banks as of December 31, 2024 and December 31, 2023 is shown in the following table:

	December 31, 2024	December 31, 2023
Good	238,561	148,668
Satisfactory	529	3,746
Unmarked	7,807	2,123
Total cash in banks	246,897	154,537

The bank balances are neither past due nor impaired and are located in the Republic of Azerbaijan. Cash and cash equivalent balances are included in Stage 1 of the ECL valuation.

8. Deposits placed at banks

The deposits placed at banks are as follows:

	December 31, 2024	December 31, 2023
Short-term deposits in banks	305,777	2,687
Total deposits placed at banks	**305,777**	**2,687**

At the beginning of the period, the amount of the deposit placed in "Accessbank" CJSC was AZN 2,687, the interest rate was 7%. During the reporting period, the interest income on the deposited deposit was AZN 21,335, the amount of funds received into the account, including interest income, was AZN 2,729,587, and the amount of outgoing funds was AZN 2,426,497. At the end of the period, the account balance is AZN 305,777.

Deposits placed with banks are neither past due nor impaired. Deposits placed with banks for the purpose of assessing GKZ are included in Stage 1.

9. Loans to customers

Loans to customers as follows:

	December 31, 2024	December 31, 2023
Loans to customers	7,398,251	5,987,559
Less: Provision for expected credit losses	(483,960)	(649,642)
Total loans to customers at amortized cost	**6,914,291**	**5,337,917**

Gross carrying amount and credit loss allowance amount for loans to customers at AC by classes at December 31, 2024 and December 31, 2023 are disclosed in the table below:

	December 31, 2024			December 31, 2023		
	Gross carrying amount	**Expected credit loss allowance**	**Net carrying amount**	**Gross carrying amount**	**Expected credit loss allowance**	**Net carrying amount**
Loans to customers						
Consumer loans	7,398,251	(483,960)	6,914,291	5,987,559	(649,642)	5,337,917
Total loans to customers at amortized cost	**7,398,251**	**(483,960)**	**6,914,291**	**5,987,559**	**(649,642)**	**5,337,917**

9. Loans to customers (continued)

	Gross carrying amount at 31 December 2024			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Loans to customers	6,547,281	180,945	670,025	**7,398,251**
Less: Provision for expected credit losses	-	-	(483,960)	**(483,960)**
Total loans to customers at amortized cost	**6,547,281**	**180,945**	**186,065**	**6,914,291**

	Gross carrying amount at 31 December 2023			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Loans to customers	5,267,174	91,241	629,144	**5,987,559**
Less: Provision for expected credit losses	(82,285)	(36,516)	(530,841)	**(649,642)**
Total loans to customers at amortized cost	**5,184,889**	**54,725**	**98,303**	**5,337,917**

9. Loans to customers (continued)

Information about collateral on consumer and business loans given to individuals and measured at amortized cost as at December 31, 2024 is shown below:

	Consumer loans	Total loans
Secured loans		
-Guarantor	2,596,565	2,596,565
-Movable properties	3,468,872	3,468,872
-Unmovable properties	109,296	109,296
Total gross value loans to customers at AC (amount representing exposure to credit risk for each class of loans at AC)	**6,174,733**	**6,174,733**

Information about collateral on consumer and business loans given to individuals and measured at amortized cost as at December 31, 2023 is shown below:

	Consumer loans	Total loans
Secured loans		
-Guarantor	4,447,975	4,447,975
-Movable properties	619,669	619,669
-Unmovable properties	204,305	204,305
Total gross value loans to customers at AC (amount representing exposure to credit risk for each class of loans at AC)	**5,271,949**	**5,271,949**

Distribution of the loan portfolio by currency units:

	December 31, 2024	December 31, 2023
Azerbaijan manats	6,903,821	5,297,822
USA dollars	10,470	40,095
Total loans to customers	**6,914,291**	**5,337,917**

10. Property, plant and equipment and intangible assets

The movement in the carrying amount of property, plant and equipment is as follows:

Historical cost	**Land and buildings**	**Furniture and fixtures**	**Computers and office equipment**	**Vehicles**	**Leasehold improvements**	**Intangible assets**	**Total**
As of January 1, 2023	**751,435**	**72,729**	**100,401**	**238,262**	**220,736**	**659,769**	**2,043,332**
Additions	103,741	-	33,480	52,684	-	169,700	359,605
Disposals/sales	(482,807)	(72,729)	(8,342)	-	-	-	(563,878)
As of December 31, 2023	**372,369**	**-**	**125,539**	**290,946**	**220,736**	**829,469**	**1,839,059**
Additions	-	-	16,259	-	-	41,500	57,759
Disposals/sales	-	-	(63,474)	(4,184)	(165,717)	(611,912)	(845,287)
As of December 31, 2024	**372,369**	**-**	**78,324**	**286,762**	**55,019**	**259,057**	**1,051,531**
Accumulated depreciation and amortisation							
As of January 1, 2023	**(376,790)**	**(72,729)**	**(46,035)**	**(115,542)**	**(174,447)**	**(620,153)**	**(1,405,696)**
Depreciation for the year	(7,497)	-	(17,395)	(50,381)	(13,810)	(83,616)	(172,699)
Eliminated accumulated depreciation for disposal	293,938	72,729	8,342	-	-	-	375,009
As of December 31, 2023	**(90,349)**	**-**	**(55,088)**	**(165,923)**	**(188,257)**	**(703,769)**	**(1,203,386)**
Depreciation for the year	(26,066)	-	(17,721)	(71,691)	(11,004)	(23,634)	(150,116)
Eliminated accumulated depreciation for disposal	-	-	29,038	604	165,717	611,912	807,271
As of December 31, 2024	**(116,415)**	**-**	**(43,771)**	**(237,010)**	**(33,544)**	**(115,491)**	**(546,231)**
Net book value							
As of January 1, 2023	**374,645**	**-**	**54,366**	**122,720**	**46,289**	**39,616**	**637,636**
As of December 31, 2023	**282,020**	**-**	**70,451**	**125,023**	**32,479**	**125,700**	**635,673**
As of December 31, 2024	**255,954**	**-**	**34,553**	**49,752**	**21,475**	**143,566**	**505,300**

As at December 31, 2024 and December 31, 2023, included in intangible assets there were neither any assets with restrictions on title, nor any assets that were pledged as security for liabilities.

As at December 31, 2024 and December 31, 2023, no property, plant and equipments were fully depreciated.

11. Right of use assets and lease liabilities

The company leases offices. Rental contracts are typically made for forced periods of 2-10 years but may have extension options.

Contracts may contain both lease and non-lease components. The company elected not to separate lease and non-lease components and instead accounts for these as a single lease component. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Extension and termination options are included in a number of leases across the Company. These are used to maximize operational flexibility in terms of managing the assets used in the Company's operations. The majority of extension and termination options held are exercisable by both the Company and the respective lessors.

From November 1, 2022, leases are recognized as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Company.

The right-of-use assets by class of underlying items is analyzed as follows:

	Office premise	Total
Balance value as of January 1, 2023	**115,788**	**115,788**
Additions	-	-
Depreciation expense on the right-of-use asset	(57,815)	(57,815)
Balance value as of December 31, 2023	**57,973**	**57,973**
Additions	102,606	102,606
Depreciation expense on the right-of-use asset	(53,526)	(53,526)
Balance value as of December 31, 2024	**107,053**	**107,053**

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

	Lease liabilities
Balance value as of January 1, 2023	**116,604**
Additions	-
Interest expense accrued on lease liabilities	5,879
Payment of interest expense accrued on lease liabilities	(5,879)
Payment of the principal amount on lease liabilities	(56,425)
Balance value as of December 31, 2023	**60,179**
Additions	100,400
Interest expense accrued on lease liabilities	13,097
Payment of interest expense accrued on lease liabilities	(13,097)
Payment of the principal amount on lease liabilities	(44,015)
Balance value as of December 31, 2024	**116,564**

Future minimum lease payments as at December 31, 2024:

	Up to 1 year	More than 1 year	Total
Future minimum payments	62,304	67,496	129,800
Finance cost	(9,406)	(3,830)	(13,236)
Net carrying value	**52,898**	**63,666**	**116,564**

11. Right of use assets and lease liabilities (continued)

Future minimum lease payments as at December 31, 2023:

	Up to 1 year	More than 1 year	Total
Future minimum payments	62,304	-	62,304
Finance cost	(2,125)	-	(2,125)
Net carrying value	**60,179**	-	**60,179**

The recognized lease liabilities classified as follows:

	December 31, 2024	December 31, 2023
Current portion	52,898	60,179
Non-current portion	63,666	-
Total lease liabilities	**116,564**	**60,179**

12. Non-current assets held for sale

Non-current assets held for sale are shown below:

	December 31, 2024	December 31, 2023
Non-current assets held for sale:		
Movable property taken in exchange for unpaid debts	22,014	22,014
Immovable property taken in exchange for unpaid debts	889,525	1,016,074
Total non-current assets held for sale	**911,539**	**1,038,088**

Assets totaling AZN 275,015 and AZN 148,763 were sold in the years 2024 and 2023, respectively.

	December 31, 2024	December 31, 2023
At the beginning of the year	**1,038,088**	**1,186,851**
Additions	148,466	-
Sales	(275,015)	(148,763)
At the end of the year	**911,539**	**1,038,088**

Management believes that the market value of assets held for sale is equal to their carrying amount. Management plans to sell the collateral within one year.

13. Other assets

Other assets comprise of following:

	December 31, 2024	December 31, 2023
Prepaid expenses	345,316	336,560
Prepayment for non-current assets	174,522	91,017
Prepayment on taxes	48,403	37,724
Other assets	1,467	957
Total other assets	**569,708**	**466,258**

14. Charter capital

Charter capital of the Organization as at December 31, 2024 and December 31, 2023 was AZN 452,300.

"AgroMostFinance" LLC is the sole shareholder of the Organization, which registered and operating under the laws of the Russian Federation. The charter capital of the Company was increased by 548,000 AZN from the accumulated profit on July 30, 2024, reaching 1,000,300 AZN.

15. Capital reserves

Amount classified as capital reserves was received as a grant from USAID in the amount of USD 3,000,000 in 2000. The Organization supported "Social Responsibility Project" in 2009 and has agreed to transfer grant in the amount of AZN 1,000,000 (USD 1,250,000) to 5 micro credit institutions in the Republic of Azerbaijan. As at December 31, 2024 and December 31, 2023, capital reserves amounted to AZN 1,593,963, respectively.

16. Borrowings

The balances of borrowings consist of the following:

	Debt amount	Accrued interest	Total debt as of December 31, 2024
Short-term borrowings from "Pasha Bank" OJSC	2,008,863	21,104	2,029,967
Long-term borrowings from "Pasha Bank" OJSC	1,375,882	-	1,375,882
Total borrowings	**3,384,745**	**21,104**	**3,405,849**

	Debt amount	Accrued interest	Total debt as of December 31, 2023
Long-term borrowings from the Central Bank of the Republic of Azerbaijan	611,545	20,066	631,611
Short-term borrowings from "Pasha Bank" OJSC	577,743	-	577,743
Long-term borrowings from "Pasha Bank" OJSC	133,177	-	133,177
Short-term borrowings from "Kapital Bank" OJSC	113,000	-	113,000
Total borrowings	**1,435,465**	**20,066**	**1,455,531**

On November 28, 2023, a loan agreement in the amount of AZN 500,000 was signed between the Company and "Pasha Bank" OJSC in order to increase working capital. The loan with an annual interest rate of 15% was granted for a period of 12 months. During 2024, loan agreements were signed between the Company and "Pasha Bank" OJSC in the amount of 3,858,680 AZN and 13%, 14% and 15%, respectively, in order to increase working capital. In addition, a loan agreement was signed between the Company and "Kapital Bank" OJSC in the amount of 100,000 AZN in order to increase working capital.

16. Borrowings (continued)

On December 26, 2023, a loan agreement was signed between the Company and "Pasha Bank" OJSC for the payment of obligations to "Kapital Bank" OJSC. The loan with an annual interest rate of 13% was granted for a period of 24 months.

January 1, 2024	**1,455,531**
Proceeds	3,958,680
Principal amount paid	(2,001,536)
Finance cost paid	(229,066)
Finance cost	222,233
December 31, 2024	**3,405,842**
January 1, 2023	**1,220,879**
Proceeds	2,802,675
Principal amount paid	(2,436,561)
Finance cost paid	(245,703)
Finance cost	114,241
December 31, 2023	**1,455,531**

17. Borrowings from related parties

The balances of borrowings from related parties consist of the following:

	Debt amount	Accrued interest	Total debt as of December 31, 2024
Borrowings from related parties - "AqroMostFinans"	765,000	-	765,000
Total borrowings from related parties	**765,000**	**-**	**765,000**

	Debt amount	Accrued interest	Total debt as of December 31, 2023
Borrowings from related parties - "AqroMostFinans"	765,000	13,935	778,935
Total borrowings from related parties	**765,000**	**13,935**	**778,935**

On June 13, 2018, a loan agreement was signed between the Company and "Aqromostfinance" LLC for financial needs only in the amount of USD 1,700,000 (AZN 2,890,000) with an annual interest rate of 6% and a repayment date of January 20, 2021. On January 14, 2019, the loan term was extended until May 15, 2022. On December 01, 2021, it was extended until December 31, 2024 with an amendment to the agreement. The outstanding principal balance at the end of 2024 is USD 450,000 (AZN 765,000) (the outstanding principal balance at the end of 2023 is USD 450,000 and the accrued interest is USD 8,197 (AZN 778,935)). According to the agreement of the parties, payments under the contract will begin in 2026.

17. Borrowings from related parties (continued)

01 yanvar 2024-cü il	**778,935**
Proceeds	-
Ödənilmiş əsas məbləğ	-
Forgiven debt	(59,835)
Finance cost paid	-
Finance cost	45,900
31 dekabr 2024-cü il	**765,000**
01 yanvar 2023-cü il	**1,364,647**
Proceeds	-
Principal amount paid	(635,332)
Finance cost paid	-
Finance cost	49,620
31 dekabr 2023-cü il	**778,935**

18. Debt securities

The balances of debt securities consist of the following:

	Debt amount	Accrued interest	Total debt as of December 31, 2024
Issuance of securities - bonds - "Capital Partners"	1,000,000	30,333	1,030,333
Total debt securities	**1,000,000**	**30,333**	**1,030,333**

	31 dekabr 2024-cü il	31 dekabr 2023-cü il
İlin əvvəlinə qalıq	**1,023,077**	**956,089**
Proceeds	-	-
Payments	(30,333)	-
Ödənilmiş faiz xərcləri	(140,000)	-
Pul vəsaitlərinin hərəkətinin maliyyələşdirilməsi üzrə cəmi dəyişikliklər	**852,744**	**956,089**
Faiz xərci	147,256	66,988
İlin sonuna qalıq	**1,000,000**	**1,023,077**

18. Debt securities (continued)

	Debt amount	Accrued interest	Total debt as of December 31, 2023
Issuance of securities - bonds - "AzFinance"	990,285	32,792	1,023,077
Total debt securities	**990,285**	**32,792**	**1,023,077**

During the year 2023, 10,000 bonds worth AZN 1,000,000 with a nominal interest of 14% were issued and purchased by the investment company "Capital Partners". The nominal value of each bond is AZN 100.

19. Other liabilities

The balances of other liabilities were as follows:

	December 31, 2024	December 31, 2023
Payable to resident individuals in national currency	28,470	13,458
Liabilities for taxes	14,389	39,944
Other payables in national currency	1,025	192,434
Payable to resident individuals in foreign currency	535	247
Other payables in foreign currency	225	236
Deferred revenues	-	2,003
Other liabilities	6,109	9,274
Total other liabilities	**50,753**	**257,596**

20. Interest income and interest expense

Interest income and expenses consisted of the following:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Interest income		
Interest income from consumer loans	1,851,848	1,422,087
Interest income from bank deposits	17,743	9,875
Interest income on overdue loans	11,151	34,249
Total interest income	**1,880,742**	**1,466,211**
Interest expense		
Interest expense on repo arrangements	(221,655)	(18,920)
Interest expense on bonds	(147,256)	(66,988)
Related party interest expense	(45,900)	(56,264)
Interest expense on financial institutions	(578)	(88,677)
Total interest expense	**(415,389)**	**(230,849)**
Net interest income	**1,465,353**	**1,235,362**

21. General and administrative expenses

General and administrative expenses included:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Rent expenses	(98,111)	(66,917)
Repair and maintenance of vehicles	(51,021)	(52,001)
Software expenses	(45,671)	(16,862)
Professional services	(45,295)	(62,841)
Entertainment expenses	(41,699)	(55,187)
Repair and maintenance	(35,464)	(34,414)
Office supplies	(25,637)	(32,793)
Business trip	(25,494)	(41,628)
Membership fees	(21,108)	(1,400)
Communications costs	(20,450)	(34,132)
Utilities expenses	(14,473)	(12,564)
Advertising expenses	(10,136)	(11,431)
Insurance expenses	(8,149)	(7,656)
Other service expenses	(50,775)	(20,807)
Other tax expenses	(12,170)	(20,590)
Other personnel expenses	(4,771)	(537)
Other expenses	(11,556)	(19,597)
Total general and administrative expenses	**(521,980)**	**(491,357)**

22. Other income

Other income are presented below:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Income from fines	137,768	181,305
Income from the disposal of non-current assets held for sale	6,882	67,583
Loss on disposal	(38,016)	(35,793)
Other income	143,059	-
Total other income	**249,693**	**213,095**

23. Net fee and commission income

Fee and commission income and expenses consisted of the following:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Fee and commission income	55,475	67,716
Commission fee on correspondent accounts	(48,307)	(39,617)
Fee and commission for other transactions	(57,847)	(27,197)
Total fee and commission income	**(50,679)**	**902**

24. Personnel expenses

Personnel expenses were as follows:

	For the year ended December 31, 2024	For the year ended December 31, 2023
Accrued salary and bonuses	(862,558)	(902,555)
Social insurance contributions	(145,809)	(259,045)
Compulsory medical insurance fees	(16,075)	(38,264)
Unemployment insurance fees	(4,326)	(5,181)
Total personnel expenses	**(1,028,768)**	**(1,205,045)**

25. Income tax

The company calculates its taxes in accordance with the tax legislation of the Republic of Azerbaijan, and tax reports and records are prepared accordingly. These calculations may differ from International Financial Reporting Standards.

Due to certain expenses not being deductible from taxable income and some incomes being exempt from taxation, the company creates some permanent tax differences.

Deferred taxes reflect the net tax impact of temporary differences between the recorded values of assets and liabilities in the financial statements and their tax-recorded values. As of December 31, 2023, and December 31, 2022, temporary differences primarily arise from differences in the recognition of income and expenses in accounting.

As of December 31, 2023, and December 31, 2022, temporary differences increasing and decreasing the taxable base are as follows:

	December 31, 2024	December 31, 2023
Loan to customers	29,086	255,040
Other assets	-	205,410
Property, plant and equipment	4,411	-
Intangible assets	10,823	53,950
Right of use assets	53,526	-
Accrued interest payable	1,053	22,505
Borrowings	-	7,865
Non-current asset held for sale	-	461,980
Temporary differences that increase the total tax base:	**98,899**	**1,006,750**
Property, plant and equipment	-	(153,235)
Borrowings	(7,864)	-
Right of use assets	-	(67,320)
Debt securities	-	(9,715)
Other current liabilities	(91,991)	(340,910)
Total refundable tax	(77,640)	(199,350)
Temporary differences that increase the total tax base:	**(177,495)**	**(770,530)**
Net taxable temporary differences:	**(78,596)**	**236,220**

25. Income tax (continued)

Deferred tax assets	December 31, 2024	December 31, 2023
At the beginning of the year	751,224	703,980
Changes during the year	(15,719)	47,244
At the end of the year	**735,505**	**751,224**

Income tax consists of the following components:

	December 31, 2024	December 31, 2023
Current income tax expense	(19,123)	(20,747)
Deferred tax (expense)/ income	(15,719)	47,244
Income tax (expense)/ benefit	**(34,842)**	**26,497**

26. Financial risk management

The risk management is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk

The Company exposes itself to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Company's lending and other transactions with counterparty giving rise to financial assets. The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position.

Credit risk management

Credit risk is the single largest risk for the Company's business; management therefore carefully manages its exposure to credit risk. The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparty.

26. Financial risk management (continued)

Limits

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers are approved regularly by management. Such risks are monitored on a revolving basis and are subject to an annual, or more frequent, review.

Loan applications originating with the relevant client relationship managers are passed on to the relevant credit committee for the approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral as well as corporate and personal guarantees. In order to monitor exposure to credit risk, regular reports are produced by the credit department's officers based on a structured analysis focusing on the customer's business and financial performance. Any significant interaction with customers with deteriorating creditworthiness is reported to and reviewed by Management.

Expected credit loss (ECL) measurement

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Company: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default.

It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

In order to calculate ECL an institution has to be able to determine the probability of default in a lifetime horizon (Lifetime ECL) for exposures in stage 2 and in a one-year horizon (12-month ECL) for those in stage 1. For the purpose of the IFRS 9 implementation, the estimation approach was applied. Migration matrices were used for the entire portfolio to model transitions between final rating groups without overdue days, up to 30 days overdue, from 30 to 60 days overdue, from 60 to 90 days overdue and default (overdue days > 90).

One of the key requirements of IFRS 9 is inclusion of forward looking components. Usually, this is interpreted as necessity to adjust the estimates along with expected evolution of economy (so called macroeconomic overlay). The comparatively easy and convenient way to include such adjustment to PD lifetime estimates is usage of regression models that explain behaviour of historical defaults rates versus selected macroeconomic variables. Such relationship (if statistically relevant for a given portfolio) should be used to adjust marginal PD curves thus making it more point-in-time (up to possible extent).

For purposes of measuring PD, the Company defines default as a situation when the exposure meets one or more of the following criteria:

- the borrower is more than 90 days past due on its contractual payments;
- the borrower meets the unlikeliness-to-pay criteria listed below:

26. Financial risk management (continued)

Expected credit loss (ECL) measurement (continued)

- the Company was forced to restructure the debt;
- the borrower is deceased;
- the borrower is insolvent or it is becoming likely that the borrower will be insolvent;
- the loans originated at a deep discount that reflects the incurred credit losses.

For purposes of disclosure, the Company fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Company.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis and on a portfolio basis. The criteria used to identify an SICR are monitored and reviewed periodically for appropriateness by the management. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

- The Company considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met:
- 30 days past due;
- when the loan is restructed;
- inclusion of loan into a watch list according to the internal credit risk monitoring process.

Level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to stage 3 and loss allowance is based on lifetime ECLs.

The consequence of an asset being in stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income. If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to stage 1. If an exposure has been transferred to stage 2 based on a qualitative indicator, the Company monitors whether that indicator continues to exist or has changed.

When assessment is performed on a portfolio basis, the Company determines the staging of the exposures and measures the loss allowance on a collective basis. The Company analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks.

The key shared credit characteristics considered are: type of customer (such as wholesale or retail), product type, credit risk rating, date of initial recognition, term to maturity, the quality of collateral and loan to value (LTV) ratio. The different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

26. Financial risk management (continued)

Expected credit loss (ECL) measurement (continued)

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future year during the lifetime period for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period, that is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Maximum exposure

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

The table presents the maximum exposure to credit risk of financial assets. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral.

	December 31, 2024		
	Maximum exposure	Collateralized loans	Net exposure after collateral
Loans to customers	6,914,291	3,578,168	3,336,123
Cash and cash equivalents	402,154	-	402,154
Deposits placed at banks	305,777	-	305,777
Total financial assets	**7,622,222**	**3,578,168**	**4,044,054**

	December 31, 2023		
	Maximum exposure	Collateralized loans	Net exposure after collateral
Loans to customers	5,337,917	3,881,587	1,456,330
Cash and cash equivalents	261,333	-	261,333
Deposits placed at banks	2,687	-	2,687
Total financial assets	**5,601,937**	**3,881,587**	**1,720,350**

26. Financial risk management (continued)

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	The Republic of Azerbaijan	OECD countries	CIS countries	December 31, 2024
Financial assets				
Loans to customers	6,914,291	-	-	6,914,291
Cash and cash equivalents	430,348	-	-	430,348
Deposits placed at banks	305,777	-	-	305,777
Total financial assets	**7,650,416**	-	-	**7,650,416**
Financial liabilities				
Borrowings	3,384,745	-	-	3,384,745
Debt securities	1,000,000	-	-	1,000,000
Borrowings from related parties	-	-	765,000	765,000
Lease liabilities	116,564	-	-	116,564
Accrued interest payable	51,431	-	-	51,431
Total financial liabilities	**4,552,740**	-	**765,000**	**5,317,740**
Net position	**3,097,676**	-	**(765,000)**	**2,332,676**

	The Republic of Azerbaijan	OECD countries	CIS countries	December 31, 2023
Financial assets				
Loans to customers	5,337,917	-	-	5,337,917
Cash and cash equivalents	284,443	-	-	284,443
Deposits placed at banks	2,687	-	-	2,687
Total financial assets	**5,625,047**	-	-	**5,625,047**
Financial liabilities				
Borrowings	1,435,465	-	-	1,435,465
Debt securities	1,023,077	-	-	1,023,077
Borrowings from related parties	-	-	778,935	778,935
Lease liabilities	60,179	-	-	60,179
Accrued interest payable	20,066	-	-	20,066
Total financial liabilities	**2,538,787**	-	**778,935**	**3,317,722**
Net position	**3,086,260**	-	**(778,935)**	**2,307,325**

Market risk

The Company takes on exposure to market risks. Market risks arise from open positions in foreign currencies, interest bearing assets and liabilities, all of which are exposed to general and specific market movements.

The Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

26. Financial risk management (continued)

Interest rate risk

The table below illustrates the sensitivity of the Company to changes in interest rates calculated using the "indicator of possible changes in risk" method. The limits of these changes are determined by the management and reflected in the risk reports provided to them.

	December 31, 2024		December 31, 2023	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Financial assets				
Loans to customers	69,142	(69,142)	53,379	(53,379)
Deposits placed at banks	3,058	(3,058)	27	(27)
Financial liabilities				
Borrowings	(33,847)	33,847	(14,354)	14,354
Debt securities	(10,000)	10,000	(10,230)	10,230
Borrowings from related parties	(7,650)	7,650	(7,789)	7,789
Accrued interest payable	(5,143)	5,143	(2,006)	2,006
Net effect on pre-tax profit	**15,560**	**(15,560)**	**19,027**	**(19,027)**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations arising from its financial liabilities. It refers to the availability of sufficient funds to meet 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 Company performs daily monitoring of future expected cash flows on clients' and banking operations, which is part of the assets/liabilities management process. They also set parameters for the risk diversification of the liability base.

The Company'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 Company's strategic goals;
- Maintaining a diverse range of funding sources thereby increasing the Company'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; and
- Constant monitoring of asset and liability structures by time-bands.

26. Financial risk management (continued)

Liquidity risk (continued)

The following tables show carrying amounts of assets and liabilities of the Company on the basis of the remaining period from the period end date to their contractual maturity date.

In the following tables, the book value of the Company's liabilities is grouped from the balance date to the payment date specified in the contract.

The analysis of liquidity risk as at December 31, 2024 is presented below:

	On demand and up to 1 months	From 1 months to 6 months	From 6 months to 12 months	From 12 months to 5 years	More than 5 years	Total
Financial assets						
Loans to customers	413,314	789,328	2,767,642	2,401,386	542,621	6,914,291
Cash and cash equivalents	430,348	-	-	-	-	430,348
Deposits placed at banks	305,777	-	-	-	-	305,777
Total financial assets	**1,149,439**	**789,328**	**2,767,642**	**2,401,386**	**542,621**	**7,650,416**
Financial liabilities						
Borrowings	116,364	817,863	1,044,309	1,375,882	-	3,354,418
Debt securities	-	-	1,000,000	-	-	1,000,000
Borrowings from related parties	-	-	-	765,000	-	765,000
Lease liabilities	4,207	21,575	27,116	63,666	-	116,564
Accrued interest payable	51,431	-	-	-	-	51,431
Total financial liabilities	**172,002**	**839,438**	**2,071,425**	**2,204,548**	**-**	**5,287,413**
Net liquidity gap	**977,437**	**(50,110)**	**696,217**	**196,838**	**542,621**	**2,363,003**
Cumulative liquidity gap	**977,437**	**927,327**	**1,623,544**	**1,820,382**	**2,363,003**	

26. Financial risk management (continued)

Liquidity risk (continued)

The analysis of liquidity risk as at December 31, 2023 is presented below:

	On demand and up to 1 months	From 1 months to 6 months	From 6 months to 12 months	From 12 months to 5 years	More than 5 years	Total
Financial assets						
Loans to customers	427,033	640,551	2,241,925	1,601,376	427,032	5,337,917
Cash and cash equivalents	284,443	-	-	-	-	284,443
Deposits placed at banks	2,687	-	-	-	-	2,687
Total financial assets	**714,163**	**640,551**	**2,241,925**	**1,601,376**	**427,032**	**5,625,047**
Financial liabilities						
Borrowings	64,279	200,603	728,036	442,547	-	1,435,465
Debt securities	54,001	95,068	439,179	434,829	-	1,023,077
Borrowings from related parties	45,735	43,302	194,858	495,040	-	778,935
Lease liabilities	4,868	29,764	25,547	-	-	60,179
Accrued interest payable	20,066	-	-	-	-	20,066
Total financial liabilities	**188,949**	**368,737**	**1,387,620**	**1,372,416**	**-**	**3,317,722**
Net liquidity gap	**525,214**	**271,814**	**854,305**	**228,960**	**427,032**	**2,307,325**
Cumulative liquidity gap	**525,214**	**797,028**	**1,651,333**	**1,880,293**	**2,307,325**	

27. Management of capital

The purpose of the Company in capital management is to (i) comply with the minimum capital requirements set by the Central Bank (ii) to ensure the continuity of the Company's activities and (iii) to maintain an optimal capital base to support business and increase shareholder value.

Loan agreements do not provide for specific financial terms related to capital adequacy requirements Pursuant to the requirements of Article 4 of the Rules of Prudential Regulation of Non-Bank Credit Institutions, in accordance with the organizational and legal form, the Company must have a minimum authorized capital (joint) capital (property rights) of AZN 300,000 (three hundred thousand) and be below the minimum amount should not give.

28. Contingencies and commitments

Legal proceedings

From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates and both internal and external professional advice the Company's management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax contingencies

Azerbaijani tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation, as applied to the transactions and activity of the Company, may be challenged by the relevant state authorities. Recent events within the Republic of Azerbaijan suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

29. Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing party, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Company using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value.

Azerbaijan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be out dated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

29. Fair value of financial instruments (continued)

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

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on Company-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

	December 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Loans to customers	6,547,281	180,945	186,065	6,914,291
Cash and cash equivalents	-	430,348	-	430,348
Deposits placed at banks	-	305,777	-	305,777
Total financial assets	**6,547,281**	**917,070**	**186,065**	**7,650,416**
Financial liabilities				
Borrowings	-	-	3,354,418	3,354,418
Debt securities	-	-	1,000,000	1,000,000
Borrowings from related parties	-	-	765,000	765,000
Lease liabilities	-	-	116,564	116,564
Accrued interest payable	-	-	51,431	51,431
Total financial liabilities	**-**	**-**	**5,287,413**	**5,287,413**

29. Fair value of financial instruments (continued)

	December 31, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Loans to customers	4,694,478	81,495	561,944	5,337,917
Cash and cash equivalents	-	284,443	-	284,443
Deposits placed at banks	-	2,687	-	2,687
Total financial assets	**4,694,478**	**368,625**	**561,944**	**5,625,047**
Financial liabilities				
Borrowings	-	-	1,435,465	1,435,465
Debt securities	-	-	1,023,077	1,023,077
Borrowings from related parties	-	-	778,935	778,935
Lease liabilities	-	-	60,179	60,179
Accrued interest payable	-	-	20,066	20,066
Total financial liabilities	**-**	**-**	**3,317,722**	**3,317,722**

30. Related party transactions

Party is generally considered to be related if the party is under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The oustanding balances with reated party as at December 31, 2024 and December 31, 2023 were as follows:

	December 31, 2024		December 31, 2023	
	Oustanding amounts with related party	**Statement of financial position**	**Oustanding amounts with related party**	**Statement of financial position**
Loans to customers – Asadov Majid Farhad	163,277	163,277	167,317	5,337,917
Borrowings from related parties - "AqromostFinans"	765,000	765,000	778,935	778,935

30. Related party transactions (continued)

The operations with related party for the date December 31, 2024 and December 31, 2023 were as follows:

	December 31, 2024		December 31, 2023	
	Transactions with related party	Statement of profit or loss	Transactions with related party	Statement of profit or loss
Personnel expenses	221,030	1,028,768	270,170	1,205,045
Interest expenses	45,900	415,389	56,264	236,728

31. Events after reporting period

No significant events occurred after the reporting period.