

**“RABITABANK”  
OPEN JOINT-STOCK COMPANY**

**Consolidated Financial Statements and  
Independent Auditors' Report**  
For the Year Ended December 31, 2024

# “RABITABANK” OPEN JOINT-STOCK COMPANY

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## INDEPENDENT AUDITORS' REPORT

To the Shareholders, Supervisory Board and Management Board of “Rabitabank” Open Joint-Stock Company:

### *Opinion*

We have audited the consolidated financial statements of “Rabitabank” Open Joint-Stock Company (the “Bank”) and its subsidiary (together the “Group”), which comprise the consolidated statement of financial position as at December 31, 2024 and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position as at December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matter*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## **The key audit matter**

### **Allowance for expected credit losses on loans to customers**

Loans to customers represent 73% of total assets as at December 31, 2024 and are stated net of allowance for expected credit losses (“ECL”) that are estimated on a regular basis and are sensitive to the assumptions used.

The estimation of expected credit losses requires management to apply significant judgments and estimation techniques to determine the probability of default (PD), projected exposure at default (EAD) and loss given default (LGD), considering observed historical data, current economic situation and available forward-looking information.

Credit loss allowance for loans to customers is a key audit matter due to the significance of the balances to the Group’s financial position, and the complexity and judgement related to the estimation of ECL under IFRS 9 “Financial Instruments”.

### **How was the matter addressed in our audit?**

We engaged our experts in financial risk management to analyse the key aspects of the Group’s methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9 “Financial Instruments”.

To analyse the adequacy of professional judgement and assumptions made by management in relation to allowance for ECL estimate we performed the following procedures:

For loans to customers, we tested the correctness of data inputs for PD, LGD and EAD calculation, timely reflection of delinquency events and loan repayments in the underlying systems and allocation of loans into the appropriate stages. We reconciled the input data with supporting documents on a sample basis.

We also assessed whether the disclosures of the consolidated financial statements appropriately reflect the Group’s exposure to credit risk.

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

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

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

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

### ***Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements***

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Baker Tilly Azerbaijan*

May 30, 2025  
Baku, the Republic of Azerbaijan

# “RABITABANK” OPEN JOINT-STOCK COMPANY

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2024

(In thousands of AZN, unless otherwise indicated)

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
Interest income	4, 29	117,467	92,704
Interest expense	4, 29	(44,383)	(30,272)
<b>Net interest income before expected credit losses on financial assets</b>		<b>73,084</b>	<b>62,432</b>
Charge of expected credit losses on loans to customers	13, 29	(6,263)	(7,685)
Recovery of expected credit losses on investment securities	12	650	280
Recovery/(charge) of expected credit losses on amounts due from banks and other financial institutions	11	186	(122)
Charge of expected credit losses on other financial assets	16	(557)	-
<b>Net interest income</b>		<b>67,100</b>	<b>54,905</b>
Fee and commission income	5	38,977	38,811
Fee and commission expense	6	(44,501)	(41,242)
<b>Net fee and commission loss</b>		<b>(5,524)</b>	<b>(2,431)</b>
Net gain on trading in foreign currencies		4,059	3,629
Net gain/(loss) on foreign exchange operations		8	(6)
Other operating income, net		4,236	2,078
<b>Operating income</b>		<b>69,879</b>	<b>58,175</b>
General and administrative expenses	8	(18,602)	(17,235)
Personnel expenses	7, 29	(36,662)	(29,220)
Change in fair value of assets held for sale		169	1,248
Charge of expected credit losses for guarantees		(1,095)	(2,227)
<b>Profit before income tax</b>		<b>13,689</b>	<b>10,741</b>
Income tax expense	9	(3,078)	(4,529)
<b>Net profit for the year</b>		<b>10,611</b>	<b>6,212</b>
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net change in fair value of equity instruments at fair value through other comprehensive income		(90)	-
Income tax recorded directly in other comprehensive income		18	-
<b>Net other comprehensive loss</b>		<b>(72)</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>10,539</b>	<b>6,212</b>
<b>Earnings per share</b>		<b>2.13</b>	<b>1.24</b>

On behalf of the Management Board:

Mr. Aydın Huseynov  
Chairman of the Management Board

May 30, 2025  
Baku, the Republic of Azerbaijan



Ms. Farida Gasimzade  
Chief Accountant

May 30, 2025  
Baku, the Republic of Azerbaijan

The notes on pages 8-90 form an integral part of these consolidated financial statements.

# “RABITABANK” OPEN JOINT-STOCK COMPANY


## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2024

(In thousands of AZN, unless otherwise indicated)

	Notes	December 31, 2024	December 31, 2023
<b>ASSETS</b>			
Cash and cash equivalents	10	68,992	199,818
Amounts due from banks and other financial institutions	11	60,146	50,925
Investment securities	12	115,220	99,442
Loans to customers	13, 29	824,653	698,295
Assets held for sale		186	754
Property, equipment and intangible assets	14	10,316	10,608
Right-of-use assets	15	3,818	4,137
Deferred income tax assets	9	4,484	2,236
Other assets	16	35,075	51,968
<b>Total assets</b>		<b>1,122,890</b>	<b>1,118,183</b>
<b>LIABILITIES</b>			
Amounts due to banks and other financial institutions	17	48,242	11,010
Amounts due to customers	18, 29	681,470	767,934
Borrowed funds	19	237,709	202,681
Subordinated borrowings	19, 29	14,590	6,062
Debt securities issued	20	8,619	-
Lease liabilities	21	4,080	4,337
Other liabilities	22	24,543	23,361
<b>Total liabilities</b>		<b>1,019,253</b>	<b>1,015,385</b>
<b>EQUITY</b>			
Share capital	23	102,047	102,047
Revaluation surplus for buildings	23	2,136	2,228
Net unrealized loss on investment securities		(72)	-
Accumulated deficit		(474)	(1,477)
<b>Total equity</b>		<b>103,637</b>	<b>102,798</b>
<b>Total liabilities and equity</b>		<b>1,122,890</b>	<b>1,118,183</b>

On behalf of the Management Board:

  
Mr. Aydın Hüseynov  
Chairman of the Management Board

  
Ms. Farida Gasimzade  
Chief Accountant

May 30, 2025  
Baku, the Republic of Azerbaijan

May 30, 2025  
Baku, the Republic of Azerbaijan

The notes on pages 8-90 form an integral part of these consolidated financial statements.

**“RABITABANK” OPEN JOINT-STOCK COMPANY**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2024**

*(In thousands of AZN, unless otherwise indicated)*

	Share capital	Revaluation surplus for buildings	Net unrealized loss on investment securities	Retained earnings/ (accumulated deficit)	Total equity
<b>Balance as at January 1, 2023</b>	<b>102,047</b>	<b>2,320</b>	-	<b>2,219</b>	<b>106,586</b>
Net profit for the year	-	-	-	6,212	6,212
Dividend declared	-	-	-	(10,000)	(10,000)
Depreciation for buildings' revaluation surplus	-	(92)	-	92	-
<b>Balance as at December 31, 2023</b>	<b>102,047</b>	<b>2,228</b>	-	<b>(1,477)</b>	<b>102,798</b>
Net profit for the year	-	-	-	10,611	10,611
Other comprehensive loss for the year	-	-	(72)	-	(72)
Dividend declared	-	-	-	(9,700)	(9,700)
Depreciation for buildings' revaluation surplus	-	(92)	-	92	-
<b>Balance as at December 31, 2024</b>	<b>102,047</b>	<b>2,136</b>	<b>(72)</b>	<b>(474)</b>	<b>103,637</b>

On behalf of the Management Board:

  
Mr. Aydın Hüseynov  
Chairman of the Management Board

May 30, 2025  
Baku, the Republic of Azerbaijan



  
Ms. Farida Gasimzade  
Chief Accountant

May 30, 2025  
Baku, the Republic of Azerbaijan

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# “RABITABANK” OPEN JOINT-STOCK COMPANY

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2024

(In thousands of AZN, unless otherwise indicated)

	Notes	Year ended December 31, 2024	Year ended December 31, 2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		116,283	90,227
Interest paid		(41,129)	(26,590)
Fee and commissions received		38,977	38,811
Fee and commissions paid		(44,501)	(41,242)
Net receipts from foreign exchange operations		4,059	3,629
Personnel expenses paid		(36,362)	(28,503)
General and administrative expenses paid		(12,784)	(14,903)
Other operating income received		4,342	1,995
<b>(Increase)/decrease in operating assets</b>			
Amounts due from banks and other financial institutions		(9,222)	(16,589)
Loans to customers		(132,679)	(118,864)
Assets held for sale		868	2,816
Other assets		16,164	(4,451)
<b>Increase/(decrease) in operating liabilities</b>			
Amounts due to banks and other financial institutions		36,814	(510)
Amounts due to customers		(88,047)	138,414
Other liabilities		(559)	1,727
<b>Net cash (used in)/provided from operating activities before income tax paid</b>		<b>(147,776)</b>	<b>25,967</b>
Income tax paid		(5,521)	(9,768)
<b>Cash flows (used in)/provided from operating activities</b>		<b>(153,297)</b>	<b>16,199</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for property, equipment and intangible assets		(3,081)	(2,313)
Payments for investment securities, net		(14,162)	(5,519)
Proceeds from sale of property, equipment and intangible assets		106	94
<b>Cash flows used in investing activities</b>		<b>(17,137)</b>	<b>(7,738)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowed funds	19	105,692	128,019
Repayment of borrowed funds	19	(70,946)	(89,699)
Proceeds from subordinated borrowings	19	14,450	-
Repayment of subordinated borrowings	19	(5,950)	-
Proceeds from debt securities issued	20	9,943	-
Repayment of debt securities issued	20	(1,445)	-
Repayment of lease liabilities	21	(2,231)	(2,064)
Dividends paid to the shareholders	23	(9,700)	(10,000)
<b>Cash flows provided from financing activities</b>		<b>39,813</b>	<b>26,256</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(130,621)</b>	<b>34,717</b>
Effect of changes in exchange rates on cash and cash equivalents		(205)	(97)
Cash and cash equivalents as at the beginning of the year	10	199,818	165,198
<b>Cash and cash equivalents as at the end of the year</b>		<b>68,992</b>	<b>199,818</b>

On behalf of the Management Board:

  
Mr. Aydın Hüseynov  
Chairman of the Management Board

May 30, 2025  
Baku, the Republic of Azerbaijan

  
Ms. Farida Gasimzade  
Chief Accountant

May 30, 2025  
Baku, the Republic of Azerbaijan

The notes on pages 8-90 form an integral part of these consolidated financial statements.

# “RABITABANK” OPEN JOINT-STOCK COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

(In thousands of AZN, unless otherwise indicated)

### 1. BACKGROUND

#### Organization and operations

These consolidated financial statements comprise the financial statements of “Rabitabank” OJSC (the “Bank”) and its subsidiary (together the “Group”).

The Bank was established in the Republic of Azerbaijan as an open joint-stock company in 1993. The Bank’s principal business activity is commercial and retail banking operations within the Republic of Azerbaijan. The Bank’s activities are regulated by the Central Bank of the Republic of Azerbaijan (the “CBAR”). The Bank has a general banking license, and is a member of the state deposit insurance system in the Republic of Azerbaijan.

The Bank’s registered office is 28 May Street 33, AZ 1010, Baku, the Republic of Azerbaijan.

As at December 31, 2024 the Bank has 27 branches and division (December 31, 2023: 27 branches and division). The majority of its assets and liabilities are located in the Republic of Azerbaijan.

Information about the principal subsidiary included in the consolidated financial statements:

Name	Country of incorporation	Principal activities	Ownership %	
			December 31, 2024	December 31, 2023
“Capital Partners” OJSC	Azerbaijan	Investment	100	100

As at December 31, 2024 and 2023, the Bank also had an investments in dormant subsidiary, which were not included in the consolidated financial statements.

The Bank is owned by:

	December 31, 2024, %	December 31, 2023, %
<b>Shareholders</b>		
Mr. Rauf Aliyev	40.60	40.60
Ms. Valida Abasova	34.64	20.13
Mr. Zakir Nuriyev	14.44	14.44
Ms. Dilara Nuriyeva	9.11	9.11
Mr. Aslan Khasiyev	1.07	1.07
Mr. Seyran Nuriyev	-	14.51
Others	0.14	0.14
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

*(In thousands of AZN, unless otherwise indicated)*

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#### **Operating environment of the Bank**

The Group’s operations are conducted in the Republic of Azerbaijan. The Group is exposed to the economic and financial markets of Azerbaijan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Azerbaijan.

The depreciation of Azerbaijani Manat in 2015-2016 years has led to significant uncertainties in the business environment, therefore government took all required actions to keep the exchange rate stable over the past 7 years. As a result, continuous fluctuation in global oil prices did not affect the local currency and therefore did not increase the uncertainty in the business environment.

The economy of Azerbaijan expanded 4.1% year-on-year in the January-December period 2024, accelerating from a 1.1% growth in the same period last year. The non-oil and gas sector increased by 6.2%, while the oil and gas sector rose slightly 0.3%. From the production side, the strongest contributions came from industry (35.9%) and retail trade (10.7%). Additional support was seen in transportation & storage (7.0%) and construction (6.7%).

The sustainability of the cease-fire arrangement over the Karabakh region also improves the business environment as there are number of government-led projects to attract investment and develop the territories released from occupation.

GDP reached AZN 126.3 billion (USD 74.3 billion) in 2024 with 4.1% growth compared to 2023. During 2024 foreign trade turnover of the Republic of Azerbaijan reached about USD 47.6 billion of which export amounted to USD 26.6 billion and import amounted USD 21.1 billion according to the statistics of the State Customs Committee.

By the end of December 2024, number of active plastic cards increased to a historic high of 19,899 thousand compared to 16,925 thousand in 2023.

International credit rating agencies regularly evaluate the credit rating of the Republic of Azerbaijan. “Fitch” and “S&P” evaluated the rating of the Republic of Azerbaijan as “BBB-”. “Moody’s Investors Service” set a “Ba1” credit rating for the country.

The future economic growth of the Republic of Azerbaijan is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory and political developments. The Management is unable to predict, all developments in the economic environment which would have an impact on the Group’s operations and consequently what effect, if any, they could have on the consolidated financial position of the Group.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

*(In thousands of AZN, unless otherwise indicated)*

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#### 2. BASIS OF PREPARATION

##### **Statement of compliance**

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

##### **Going concern**

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

Management views the Group as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws or regulations of the Republic of Azerbaijan. Accordingly, assets and liabilities are recorded on the basis that the Group will be able to realize its assets and discharge its liabilities in the normal course of business. Some financial reporting frameworks contain an explicit requirement for management to make a specific assessment of the Group’s ability to continue as a going concern, and standards regarding matters to be considered and disclosures to be made in connection with going concern.

Management’s assessment of the going concern assumption involves making a judgment, at a particular point in time, about the future outcome of events or conditions which are inherently uncertain.

##### **Basis of measurement**

The consolidated financial statements are prepared on a historical cost basis except buildings are stated at revalued amounts and certain investment securities designated as at FVOCI are measured at fair value.

##### **Functional and presentation currency**

The functional currency of the Group is the Azerbaijani Manat (“AZN”) as, being the national currency of the Republic of Azerbaijan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

At December 31, 2024 the principal rate of exchange used for translating foreign currency balances was USD 1 = AZN 1.700 and EUR 1 = AZN 1.7724 (December 31, 2023: USD 1 = AZN 1.700 and EUR 1 = AZN 1.8766).

The AZN is also the presentation currency for the purposes of these consolidated financial statements.

Financial information presented in AZN is rounded to the nearest thousand, unless otherwise stated.

##### **Use of estimates and judgments**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

*(In thousands of AZN, unless otherwise indicated)*

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Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

#### **Judgements**

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

- classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3;
- establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 25.

#### **Assumptions and estimations uncertainty**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended December 31, 2024 is included in the following notes:

- impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information – Note 25;
- loan impairment estimates – Note 13;
- building revaluation estimates – Note 14;
- estimates of fair values of financial assets and liabilities – Note 30.

### **3. MATERIAL ACCOUNTING POLICY INFORMATION**

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

#### **Foreign currency**

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on retranslation of equity securities at FVOCI.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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#### **Interest**

##### *Effective interest rate*

Interest income and expense are recognized in profit or loss using the effective interest method. The ‘effective interest rate’ is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

##### *Amortized cost and gross carrying amount*

The ‘amortized cost’ of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The ‘gross carrying amount of a financial asset’ measured at amortized cost is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

##### *Calculation of interest income and expense*

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 3.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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#### ***Presentation***

Interest income calculated using the effective interest method presented in the consolidated statement of profit or loss and other comprehensive income includes:

- interest on financial assets measured at amortized cost.

Interest expense presented in the consolidated statement of profit or loss and other comprehensive income includes:

- interest on financial liabilities measured at amortized cost.

#### **Fees and commission**

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate (see Note 3(b)).

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other fee and commission income – including account servicing fees and sales commission – is recognized as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

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

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

#### **Cash and cash equivalents**

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the CBAR and other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments. The mandatory reserve deposit with the CBAR is not considered to be a cash equivalent due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortized cost in the consolidated statement of financial position.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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#### Financial assets and financial liabilities

##### *Classification*

##### *Financial assets*

On initial recognition, a financial asset is classified as measured at: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt financial assets measured at FVOCI, gains and losses are recognized in other comprehensive income, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- interest income using the effective interest method;
- ECL and reversals; and
- foreign exchange gains and losses.

When a debt financial asset measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as measured at FVTPL.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

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#### **Business model assessment**

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group’s management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group’s stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

#### **Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

#### **Reclassification**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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#### *Financial liabilities*

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

Financial liabilities (including deposits by financial institutions and customers, term borrowings and other financial liabilities) are initially measured at fair value, net of transaction costs, and subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

#### **Reclassification**

Financial liabilities are not reclassified subsequent to their initial recognition.

#### *Derecognition*

##### **Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Any cumulative gain/loss recognized in other comprehensive income in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities, as explained in Note 3. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognized as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

##### **Financial liabilities**

The Group derecognizes a financial liability when its contractual obligations are discharged or canceled, or expire.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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#### *Modification of financial assets and financial liabilities*

##### **Financial assets**

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different (referred to as ‘substantial modification’), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Group due to changes in the CBAR key rate, if the loan agreement entitles the Group to do so.

The Group performs a quantitative and qualitative evaluation of whether the modification is substantial, i.e. whether the cash flows of the original financial asset and the modified or replaced financial asset are substantially different. The Group assesses whether the modification is substantial based on quantitative and qualitative factors in the following order: qualitative factors, quantitative factors, combined effect of qualitative and quantitative factors. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset deemed to have expired. In making this evaluation the Group analogizes to the guidance on the derecognition of financial liabilities.

The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial asset;
- change in collateral or other credit enhancement;
- change of terms of financial asset that lead to non-compliance with the SPPI criterion (e.g. inclusion of conversion feature).

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Group further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

*(In thousands of AZN, unless otherwise indicated)*

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If such a modification is carried out because of financial difficulties of the borrower (see Note 3), then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method (see Note 3).

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Group treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

#### **Financial liabilities**

The Group derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

Group performs a quantitative and qualitative evaluation of whether the modification is substantial considering qualitative factors, quantitative factors and combined effect of qualitative and quantitative factors. The Group concludes that the modification is substantial as a result of the following qualitative factors:

- change the currency of the financial liability;
- change in collateral or other credit enhancement;
- inclusion of conversion option;
- change in the subordination of the financial liability.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

#### ***Impairment***

The Group recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments measured at amortized cost;
- financial guarantee contracts issued; and
- loan commitments issued.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

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The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 25).

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognized are referred to as ‘Stage 1’ financial instruments.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognized are referred to as ‘Stage 2’ and ‘Stage 3’ financial instruments.

#### ***Measurement of ECL***

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- *financial assets that are credit-impaired at the reporting date*: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- *undrawn loan commitments*: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and financial guarantee contracts: the present value of expected payments to reimburse the holder less any amounts that the Group expects to recover.

See also Note 25.

#### ***Restructured financial assets***

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized (see Note 3) and ECL are measured as follows.

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 26).
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

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#### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired (referred to as ‘Stage 3 financial assets’). A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- the market’s assessment of creditworthiness as reflected in the bond yields.
- the rating agencies’ assessments of creditworthiness.
- the country’s ability to access the capital markets for new debt issuance.
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- the international support mechanisms in place to provide the necessary support as ‘lender of last resort’ to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

#### *POCI financial assets*

POCI financial assets are assets that are credit-impaired on initial recognition. For POCI assets, lifetime ECL is incorporated into the calculation of the effective interest rate on initial recognition. Consequently, POCI assets do not carry an impairment allowance on initial recognition. The amount recognized as a loss allowance subsequent to initial recognition is equal to the changes in lifetime ECL since initial recognition of the asset.

#### *Presentation of allowance for ECL in the consolidated statement of financial position*

Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

- *financial assets measured at amortized cost*: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: generally, as a provision;

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

#### *Write-offs*

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in ‘reversal of expected credit losses on loans to customers’ in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group’s procedures for recovery of amounts due.

#### *Fair value measurement principles*

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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received.

If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at the bid price and liabilities and short positions at the ask price.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

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The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

#### *Offsetting*

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Bank and all counterparties.

#### **Loans to customers**

‘Loans to customers’ caption in the consolidated statement of financial position include:

- loans to customers measured at amortized cost (see Note 3); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method.

#### **Investment securities**

The ‘investment securities’ caption in the statement of financial position includes:

- debt investment securities measured at amortized cost; these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method;
- equity investment securities designated as at FVOCI.

#### **Deposits, borrowed funds, subordinated borrowings, and debt securities issued**

Deposits, borrowed funds, subordinated borrowings, and debt securities issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method, except where the Group designates them at FVTPL.

If the Organization purchases its own debt securities issued, they are removed from the statement of financial position and the difference between the carrying amount of the liability and consideration paid is included in gains arising from early retirement of debt.

#### **Property and equipment**

##### *Owned assets*

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings, which are stated at revalued amounts as described below.

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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

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#### *Revaluation*

Buildings are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the buildings being revalued. A revaluation increase on a building is recognized as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognized in profit or loss, in which case it is recognized in profit or loss. A revaluation decrease on a building is recognized in profit or loss except to the extent that it reverses a previous revaluation increase recognized as other comprehensive income directly in equity, in which case it is recognized in other comprehensive income.

#### *Depreciation*

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives are as follows:

Buildings	50 years
Computers	4 years
Furniture and equipment	5-10 years
Vehicles	4 years
Leasehold improvements	Over the term of the contract

#### **Intangible assets**

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised on a straight-line basis over the useful economic lives of 3 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

#### **Leases**

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

#### **Group as a lessee**

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

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

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#### **Right-of-use assets**

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

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

#### **Lease liabilities**

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

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

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

#### **Assets held for sale**

Non-current assets 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 Group'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.

#### **Provisions**

A provision is recognized in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

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#### **Financial guarantees and loan commitments**

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

The Group has issued no loan commitments that are measured at FVTPL.

For other loan commitments the Group recognizes a loss allowance.

Liabilities arising from financial guarantees and loan commitments are included within provisions.

#### **Share capital**

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

##### *Dividends*

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Azerbaijani legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

#### **Taxation**

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

##### *Current tax*

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

##### *Deferred tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences:

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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- the initial recognition of assets or liabilities that affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan for the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due.

#### **Adoption of new and revised standards and interpretations**

In the current year, the Group has adopted all of the applicable new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for the year ended December 31, 2024.

IASB has issued “**Lease Liability in a Sale and Leaseback**” (**Amendments to IFRS 16**) with **amendments** that clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. **Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)** requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

**Amendments to IAS 1: Classification of Liabilities as Current or Non-current** – In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

*(In thousands of AZN, unless otherwise indicated)*

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In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

In May 2023 IASB published “**Supplier Finance Arrangements**” (Amendment to IAS 7 and IFRS 7) – These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.

Unless otherwise disclosed, the new standards did not have a material effect on the consolidated financial statements of the Group.

#### **New standards and interpretations not yet adopted**

At the date of authorization of these financial statements, other than the Standards and Interpretations adopted by the Group in advance of their effective dates, the following standards, interpretations and amendments were in issue but not yet effective. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

On August 2023 IASB amended IAS 21 “**The Effects of Changes in Foreign Exchange Rates**” to clarify when a currency is exchangeable into another currency and how a company estimates a spot rate when a currency lacks exchangeability. 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. A currency is exchangeable when there is an ability to obtain the other currency, with a normal administrative delay, and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with the option for early adoption.

On May 30, 2024, the IASB issued amendments to IFRS 9 “**Financial Instruments**” and IFRS 7 “**Financial Instruments: Disclosures**” concerning the classification and measurement of financial instruments. Key changes include:

- Derecognition of financial liabilities: Allows liabilities settled via electronic transfer to be considered discharged prior to the settlement date under specified criteria.
- Classification of financial assets: Provides guidance on assessing contractual terms for basic lending arrangements, enhances the definition of non-recourse features, and clarifies characteristics of contractually linked instruments.
- Disclosures: Introduces new requirements for equity investments at fair value through OCI and for contingent terms affecting cash flows.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with retrospective application allowed and early adoption permitted.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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On July 18, 2024, the IASB published “**Annual Improvements to IFRS Accounting Standards - Volume 11**”.

This publication includes the following amendments:

IFRS 1: Clarifications on hedge accounting for first-time adopters.  
IFRS 7: Guidance on recognizing gains or losses on derecognition.  
IFRS 7: Improved disclosures for deferred differences between fair value and transaction price.  
IFRS 7: Enhancements to introduction and credit risk disclosures.  
IFRS 9: Clarifications on lessee derecognition of lease liabilities.  
IFRS 9: Additional guidance on transaction price determination.  
IFRS 10: Clarifications on the determination of a ‘de facto agent.’  
IAS 7: Improvements related to the cost method.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026.

On April 9, 2024, the IASB issued a new standard – **IFRS 18, “Presentation and Disclosure in Financial Statements”** – in response to investors’ concerns about the comparability and transparency of entities’ performance reporting. The new requirements introduced in IFRS 18 will help to achieve comparability of the financial performance of similar entities, especially related to how ‘operating profit or loss’ is defined. The key new concepts introduced in IFRS 18 relate to:

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

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its ‘operating profit or loss’.

IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information.

In May, 2024 the IASB has published the new standard **IFRS 19 “Subsidiaries without Public Accountability: Disclosures”**, which permits a subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply IFRS 19 when:

- it is a subsidiary;
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

The new standard is effective for reporting periods beginning on or after January 1, 2027 with earlier application permitted.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

*(In thousands of AZN, unless otherwise indicated)*

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On June 26, 2023, the International Sustainability Standards Board (ISSB) published the first two IFRS Sustainability Disclosure Standards **IFRS S1 “General requirements for the disclosure of sustainability-related financial information”** and **IFRS S2 “Climate-related disclosures”**. The standards contain requirements for the disclosure of material information about an entity’s significant sustainability-related risks and opportunities that are necessary for investors to evaluate the entity.

IFRS S1 establishes general requirements with the objective of requiring an entity to disclose information about its sustainability-related risks and opportunities. IFRS S1 prescribes how an entity should prepare and present its sustainability-related financial information. It sets out general requirements for the content and presentation of these disclosures so that the information disclosed is useful to primary users of financial reporting in making decisions about the provision of resources to the entity.

IFRS S2 sets out requirements for identifying, assessing and disclosing information about climate-related risks and opportunities that is useful to the primary users of general-purpose financial reporting.

The two standards are to be applied for reporting periods beginning on or after January 1, 2024. Earlier application is permitted. If an entity applies IFRS S1 earlier, it must disclose this accordingly and apply IFRS S2 at the same time. The mandatory application of the ISSB standards is dependent on their adoption by a jurisdiction into applicable law. This does not affect entities’ ability to apply the standards voluntarily (in addition). As at the date of this report, these standards were not adopted by the jurisdiction where the company operates.

**IFRS 10 “Consolidated Financial Statements” and IAS 28 (amendments) “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”** – The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture.

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

Unless otherwise disclosed, the new standards and interpretations are not expected to have a material effect on the consolidated financial statements of the Group.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

#### 4. NET INTEREST INCOME

	Year ended December 31, 2024	Year ended December 31, 2023
<b>Interest income calculated using the effective interest method</b>		
Loans to customers	104,687	82,418
Investment securities	7,794	5,222
Cash and cash equivalents	3,458	4,037
Amounts due from banks and other financial institutions	1,409	992
Others	119	35
<b>Total interest income calculated using the effective interest method</b>	<b>117,467</b>	<b>92,704</b>
<b>Interest expense calculated using the effective interest method</b>		
Amounts due to customers	(34,971)	(23,484)
Borrowed funds	(6,330)	(4,675)
Amounts due to banks and other financial institutions	(1,745)	(1,409)
Debt securities issued	(532)	-
Subordinated borrowings	(451)	(446)
Lease liabilities	(354)	(258)
<b>Total interest expense calculated using the effective interest method</b>	<b>(44,383)</b>	<b>(30,272)</b>
<b>Net interest income</b>	<b>73,084</b>	<b>62,432</b>

#### 5. FEE AND COMMISSION INCOME

	Year ended December 31, 2024	Year ended December 31, 2023
Plastic card operations	27,299	27,560
Settlements	4,733	4,576
Cash operations	3,102	3,325
Guarantees and letters of credit	2,186	1,283
Foreign exchange operations	867	1,386
Others	790	681
<b>Total fee and commission income</b>	<b>38,977</b>	<b>38,811</b>

#### *Performance obligations and revenue recognition policies*

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over service to a customer.

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

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail and corporate banking service	The Group provides banking services to retail and corporate customers, overdraft facilities, foreign currency transactions, credit card transactions.  Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer’s account when the transaction takes place.	Revenue related to transactions is recognized at the point in time when the transaction takes place.
	The Group charges commission fee to the customers for the guarantee letters issued.	Since, the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs, the Group recognises revenue over time.

#### 6. FEE AND COMMISSION EXPENSE

	Year ended December 31, 2024	Year ended December 31, 2023
Plastic card operations	(36,469)	(34,485)
Payment terminals	(4,044)	(4,109)
Credit inquiry services	(1,680)	(894)
Settlements	(1,652)	(1,117)
Cash operations	(314)	(249)
Guarantees and letters of credit	(180)	(123)
Brokerage services	(120)	(169)
Others	(42)	(96)
<b>Total fee and commission expense</b>	<b><u>(44,501)</u></b>	<b><u>(41,242)</u></b>

#### 7. PERSONNEL EXPENSES

	Year ended December 31, 2024	Year ended December 31, 2023
Employee compensation	(31,107)	(24,797)
Payments to Social Security Protection Fund	(5,555)	(4,423)
<b>Total personnel expenses</b>	<b><u>(36,662)</u></b>	<b><u>(29,220)</u></b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

#### 8. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2024	Year ended December 31, 2023
Depreciation and amortization expenses	(4,618)	(4,158)
Marketing and advertising expenses	(3,199)	(2,842)
Payments to the Deposit Insurance Fund	(3,196)	(2,347)
Property and equipment maintenance	(1,649)	(1,315)
Premises security	(1,194)	(1,212)
Office supplies	(1,026)	(1,008)
Communication expenses	(848)	(660)
Professional fees	(556)	(779)
Business travel and related expenses	(512)	(310)
Taxes other than income tax (including fines and penalties)	(266)	(786)
Printing expenses	(264)	(364)
Low value and short-term lease expense	(252)	(127)
Vehicle running costs	(171)	(187)
Charity expenses	(107)	(201)
Others	(744)	(939)
<b>Total general and administrative expenses</b>	<b>(18,602)</b>	<b>(17,235)</b>

#### 9. INCOME TAX EXPENSE

	December 31, 2024	December 31, 2023
Current income tax expense	(5,308)	(4,993)
Deferred income tax benefit recognized in profit or loss	2,230	1,318
Revision of prior year current income tax expense	-	(854)
<b>Total income tax expense recognized in profit or loss</b>	<b>(3,078)</b>	<b>(4,529)</b>

During the years ended December 31, 2024 and 2023, the applicable tax rate for current and deferred tax is 20%.

The effective tax rate reconciliation is as follows for the years ended December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
<b>Profit before income tax</b>	<b>13,689</b>	<b>10,741</b>
Income tax at the applicable tax rate	(2,738)	(2,148)
Non-deductible costs	(340)	(1,527)
Revision of prior year current income tax expense	-	(854)
<b>Total income tax expense recognized in profit or loss</b>	<b>(3,078)</b>	<b>(4,529)</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

#### Deferred income tax assets and liabilities

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes and tax losses carried forward give rise to net deferred tax assets as at December 31, 2024 and 2023. These deferred tax assets are not recognized in these financial statements. Future tax benefits will only be realized if profits will be available against which unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group’s ability to claim deductions in future periods. These future tax benefits are not recognized due to uncertainties concerning their realisation.

The deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the years ended December 31, 2024 and 2023 are presented as follows:

	January 1, 2024	Credited to profit or loss	Credited to OCI	December 31, 2024
Loans to customers	2,654	1,850	-	4,504
Other liabilities	1,095	430	-	1,525
Assets held for sale	(97)	133	-	36
Lease liabilities	859	(375)	-	484
Borrowed funds	(15)	15	-	-
Other assets	28	73	-	101
Right-of-use assets	(821)	388	-	(433)
Investment securities	(38)	(316)	18	(336)
Amounts due from banks and other financial institutions	15	(56)	-	(41)
Property and equipment	(129)	106	-	(23)
Amounts due to customers	-	(18)	-	(18)
Unrecognized deferred income tax assets	(1,315)	-	-	(1,315)
<b>Net deferred income tax assets</b>	<b>2,236</b>	<b>2,230</b>	<b>18</b>	<b>4,484</b>
	January 1, 2023	Credited to profit or loss	Credited to OCI	December 31, 2023
Loans to customers	1,571	1,083	-	2,654
Other liabilities	686	409	-	1,095
Lease liabilities	498	361	-	859
Other assets	3	25	-	28
Amounts due from banks and other financial institutions	15	-	-	15
Right-of-use assets	(459)	(362)	-	(821)
Property and equipment	(129)	-	-	(129)
Assets held for sale	74	(171)	-	(97)
Investment securities	19	(57)	-	(38)
Borrowed funds	(45)	30	-	(15)
Unrecognized deferred income tax assets	(1,315)	-	-	(1,315)
<b>Net deferred income tax assets</b>	<b>918</b>	<b>1,318</b>	<b>-</b>	<b>2,236</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

#### 10. CASH AND CASH EQUIVALENTS

	December 31, 2024	December 31, 2023
Cash on hand	36,724	39,423
Short-term deposits with the CBAR	10,000	98,000
Nostro accounts with non-resident financial institutions	8,379	7,250
Nostro accounts with resident financial institutions	8,243	7,071
Nostro accounts with the CBAR	5,646	7,335
Short-term deposits with resident financial institutions	-	20,000
Short-term deposits with non-resident financial institutions	-	8,506
CBAR notes	-	12,233
	<u>68,992</u>	<u>199,818</u>
<b>Total cash and cash equivalents</b>	<b><u>68,992</u></b>	<b><u>199,818</u></b>

Balances with financial institutions except the CBAR are rated as follows:

	December 31, 2024	December 31, 2023
Rated from A- to A+	29	8,527
Rated from BBB- to BBB+	3,243	2,242
Rated from BB- to BB+	8,414	25,426
Rated from B- to B+	3,571	5,211
Not rated	1,365	1,421
	<u>16,622</u>	<u>42,827</u>
<b>Total</b>	<b><u>16,622</u></b>	<b><u>42,827</u></b>

As at December 31, 2024, the Group had no financial institution except the CBAR (December 31, 2023: 1 financial institution except CBAR), whose balances individually exceeded 10% of equity. The gross value of these balances as at December 31, 2024 was nil (December 31, 2023: AZN 22,827 thousand).

As at December 31, 2024 and 2023, all balances included in cash and cash equivalents are classified as Stage 1 and their ECL was not significant. There were no transfers between stages during the years ended December 31, 2024 and 2023.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

#### 11. AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31, 2024	December 31, 2023
Mandatory reserve with the CBAR	33,223	32,892
Loans to non-resident financial institutions	13,653	5,121
Loans to resident financial institutions	6,541	5,261
Blocked accounts with non-resident financial institutions	4,058	2,560
Blocked accounts with resident financial institutions	1,785	850
Time deposits with non-resident financial institutions	1,185	4,726
	<u>60,445</u>	<u>51,410</u>
<b>Gross amounts due from banks and other financial institutions</b>		
Less: allowance for expected credit losses	(299)	(485)
	<u>60,146</u>	<u>50,925</u>
<b>Net amounts due from banks and other financial institutions</b>		

Balances with financial institutions except mandatory reserve with the CBAR are rated as follows:

	December 31, 2024	December 31, 2023
Rated from A- to A+	3,528	2,560
Rated from BBB- to BBB+	920	-
Rated from BB- to BB+	5,194	424
Rated from B- to B+	10,245	5,121
Not rated	7,335	10,413
	<u>27,222</u>	<u>18,518</u>
<b>Total</b>		

The credit quality analysis is presented below:

	December 31, 2024	December 31, 2023
Not overdue	60,146	51,111
Overdue more than 360 days	299	299
Less: allowance for expected credit losses	(299)	(485)
	<u>60,146</u>	<u>50,925</u>
<b>Total amounts due from banks and other financial institutions</b>		

As at December 31, 2024, the Group had no bank except CBAR (December 31, 2023: no bank except CBAR), whose balances individually exceeded 10% of equity.

As at December 31, 2024, accrued interest receivable included in amounts due from banks and other financial institutions amounted to AZN 94 thousand (December 31, 2023: AZN 78 thousand).

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

Balances included in the amounts due from banks and other financial institutions are classified as Stage 1 except credit-impaired overdue balances, and their ECL was not significant as at December 31, 2024 (December 31, 2023: AZN 186 thousand). There were no transfers between stages during the years ended December 31, 2024 and 2023.

Analysis of movements in the allowance for expected credit losses is as follows:

	December 31, 2024	December 31, 2023
<b>Balance at the beginning of the year</b>	<b>(485)</b>	<b>(938)</b>
Recovery/(charge) of expected credit losses	186	(122)
Write-offs	-	575
<b>Balance at the end of the year</b>	<b>(299)</b>	<b>(485)</b>

#### Mandatory reserve with the CBAR

As at December 31, 2024 and 2023 mandatory cash balances held with the CBAR were AZN 33,223 thousand and AZN 32,892 thousand, respectively, which represented the obligatory minimum reserve deposits with the CBAR.

The mandatory reserve deposit is a non-interest-bearing deposit calculated in accordance with regulations issued by the CBAR and whose withdrawal ability is restricted. Reserves are measured in accordance with regulations issued by the CBAR and depend on the level of customer funds attracted.

On November 20, 2023, the CBAR made certain updates on the calculation of mandatory reserves, and financial institutions are required to maintain a non-interest-earning cash deposit (obligatory reserve) with the CBAR as per new updates. New differentiation criteria were introduced on the basis of which mandatory reserve rates are determined. The differentiation criteria are as follows:

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

Since the Bank's average deposits from legal entities in local currency and foreign currency are less than AZN 1,000,000 thousand and AZN 750,000 thousand, respectively, and both the proportion of deposits from related parties and the segment of Bank-related deposits do not exceed 20% of total deposits, the applicable mandatory reserve rate was 5% for deposits in local currency and 6% for deposits in foreign currency as at December 31, 2024.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

#### 12. INVESTMENT SECURITIES

	December 31, 2024	December 31, 2023
Investment securities measured at amortized cost - debt instruments	114,614	99,450
Investment securities designated as at FVOCI - equity instruments	<u>606</u>	<u>642</u>
<b>Gross investment securities</b>	<b><u>115,220</u></b>	<b><u>100,092</u></b>
Less: allowance for expected credit losses	<u>-</u>	<u>(650)</u>
<b>Net investment securities</b>	<b><u>115,220</u></b>	<b><u>99,442</u></b>
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
Government bonds	103,244	39,897
Corporate bonds	<u>11,370</u>	<u>59,553</u>
<b>Total debt instruments</b>	<b><u>114,614</u></b>	<b><u>99,450</u></b>
	<b>December 31, 2024</b>	<b>December 31, 2023</b>
“Azerbaijan Credit Bureau” LLC	250	250
“Baku Stock Exchange” CJSC	240	240
“International Bank of Azerbaijan” OJSC	54	-
“Master Card International”	32	32
“Milli Kart” LLC	<u>30</u>	<u>120</u>
<b>Total equity instruments</b>	<b><u>606</u></b>	<b><u>642</u></b>

Management believes it is unlikely that the fair value at the year-end would differ significantly from that carrying amount.

As at December 31, 2024, accrued interest receivable included in investment securities amounted to AZN 2,489 thousand (December 31, 2023: AZN 1,432 thousand).

All investment security balances are in Stage 1 as at December 31, 2024 and 2023, and their ECL was not significant as at December 31, 2024 (December 31, 2023: AZN 650 thousand). There were no transfers between stages during the years ended December 31, 2024 and 2023.

Analysis of movements in the allowance for expected credit losses are as follows:

	December 31, 2024	December 31, 2023
<b>Balance at the beginning of the year</b>	<b>(650)</b>	<b>(930)</b>
Recovery of expected credit losses	<u>650</u>	<u>280</u>
<b>Balance at the end of the year</b>	<b><u>-</u></b>	<b><u>(650)</u></b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

#### 13. LOANS TO CUSTOMERS

	December 31, 2024	% of total gross loans	December 31, 2023	% of total gross loans
<b>Loans to corporate customers</b>				
Corporate loans	289,042	33%	253,633	35%
<b>Total loans to corporate customers</b>	<b>289,042</b>		<b>253,633</b>	
<b>Loans to individual customers</b>				
Cash loans	218,310	25%	182,299	25%
Mortgage loans	155,963	18%	136,515	19%
Micro loans	125,470	15%	93,236	13%
Lombard loans	47,891	5%	37,313	5%
Consumer loans	22,170	3%	17,029	2%
Credit cards	3,454	1%	3,327	1%
Car loans	149	-	174	-
<b>Total loans to individual customers</b>	<b>573,407</b>		<b>469,893</b>	
<b>Gross loans to customers</b>	<b>862,449</b>		<b>723,526</b>	
Less: allowance for expected credit losses	(37,796)		(25,231)	
<b>Net loans to customers</b>	<b>824,653</b>		<b>698,295</b>	

As at December 31, 2024, accrued interest receivable included in loans to customers amounted to AZN 7,914 thousand (December 31, 2023: AZN 5,709 thousand).

The following tables show reconciliations from the opening to the closing balances of the loss allowance of loans to customers.

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loans to customers at amortized cost*</b>								
<b>Balance at January 1</b>	<b>10,721</b>	<b>1,192</b>	<b>13,318</b>	<b>25,231</b>	<b>7,905</b>	<b>191</b>	<b>24,609</b>	<b>32,705</b>
Transfer to Stage 1	10	(3)	(7)	-	893	(88)	(805)	-
Transfer to Stage 2	(431)	439	(8)	-	(38)	186	(148)	-
Transfer to Stage 3	(4,210)	(1,030)	5,240	-	(801)	(76)	877	-
Net remeasurement of loss allowance	(8,747)	4,413	(2,050)	(6,384)	(5,794)	979	3,944	(871)
New assets originated or purchased	12,647	-	-	12,647	8,556	-	-	8,556
Write-offs	-	-	(1,064)	(1,064)	-	-	(20,506)	(20,506)
Recoveries of assets previously written-off	-	-	5,785	5,785	-	-	3,020	3,020
Unwinding of discount on present value of ECLs	-	-	1,581	1,581	-	-	2,327	2,327
<b>Balance at December 31</b>	<b>9,990</b>	<b>5,011</b>	<b>22,795</b>	<b>37,796</b>	<b>10,721</b>	<b>1,192</b>	<b>13,318</b>	<b>25,231</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loan to customers at amortized cost- corporate loans*</b>								
<b>Balance at January 1</b>	<b>7,352</b>	<b>1,049</b>	<b>11,756</b>	<b>20,157</b>	<b>5,123</b>	<b>101</b>	<b>22,481</b>	<b>27,705</b>
Transfer to Stage 1	4	-	(4)	-	697	(68)	(629)	-
Transfer to Stage 2	(70)	72	(2)	-	(30)	142	(112)	-
Transfer to Stage 3	(2,602)	(776)	3,378	-	(758)	(31)	789	-
Net remeasurement of loss allowance	(7,726)	4,074	874	(2,778)	(3,674)	905	2,630	(139)
New assets originated or purchased	9,011	-	-	9,011	5,994	-	-	5,994
Write-offs	-	-	(489)	(489)	-	-	(18,187)	(18,187)
Recoveries of assets previously written-off	-	-	2,029	2,029	-	-	2,733	2,733
Unwinding of discount on present value of ECLs	-	-	1,414	1,414	-	-	2,051	2,051
<b>Balance at December 31</b>	<b>5,969</b>	<b>4,419</b>	<b>18,956</b>	<b>29,344</b>	<b>7,352</b>	<b>1,049</b>	<b>11,756</b>	<b>20,157</b>

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loan to customers at amortized cost-cash loans*</b>								
<b>Balance at January 1</b>	<b>1,888</b>	<b>93</b>	<b>1,219</b>	<b>3,200</b>	<b>1,403</b>	<b>75</b>	<b>822</b>	<b>2,300</b>
Transfer to Stage 1	6	(3)	(3)	-	62	(16)	(46)	-
Transfer to Stage 2	(153)	154	(1)	-	(4)	8	(4)	-
Transfer to Stage 3	(794)	(165)	959	-	(32)	(42)	74	-
Net remeasurement of loss allowance	(930)	254	(955)	(1,631)	(1,179)	68	1,106	(5)
New assets originated or purchased	2,401	-	-	2,401	1,638	-	-	1,638
Write-offs	-	-	(214)	(214)	-	-	(1,064)	(1,064)
Recoveries of assets previously written-off	-	-	1,458	1,458	-	-	177	177
Unwinding of discount on present value of ECLs	-	-	80	80	-	-	154	154
<b>Balance at December 31</b>	<b>2,418</b>	<b>333</b>	<b>2,543</b>	<b>5,294</b>	<b>1,888</b>	<b>93</b>	<b>1,219</b>	<b>3,200</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loan to customers at amortized cost-mortgage loans*</b>								
<b>Balance at January 1</b>	<b>264</b>	<b>5</b>	<b>31</b>	<b>300</b>	<b>139</b>	<b>-</b>	<b>321</b>	<b>460</b>
Transfer to Stage 1	-	-	-	-	51	-	(51)	-
Transfer to Stage 2	(40)	40	-	-	(1)	1	-	-
Transfer to Stage 3	(38)	-	38	-	(1)	-	1	-
Net remeasurement of loss allowance	(55)	(5)	(951)	(1,011)	(18)	4	111	97
New assets originated or purchased	36	-	-	36	94	-	-	94
Write-offs	-	-	(154)	(154)	-	-	(371)	(371)
Recoveries of assets previously written-off	-	-	1,092	1,092	-	-	14	14
Unwinding of discount on present value of ECLs	-	-	1	1	-	-	6	6
<b>Balance at December 31</b>	<b>167</b>	<b>40</b>	<b>57</b>	<b>264</b>	<b>264</b>	<b>5</b>	<b>31</b>	<b>300</b>

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loan to customers at amortized cost-micro loans*</b>								
<b>Balance at January 1</b>	<b>745</b>	<b>37</b>	<b>174</b>	<b>956</b>	<b>368</b>	<b>9</b>	<b>277</b>	<b>654</b>
Transfer to Stage 1	-	-	-	-	41	(4)	(37)	-
Transfer to Stage 2	(167)	172	(5)	-	(3)	5	(2)	-
Transfer to Stage 3	(632)	(79)	711	-	(7)	(2)	9	-
Net remeasurement of loss allowance	233	78	(638)	(327)	(319)	29	34	(256)
New assets originated or purchased	1,115	-	-	1,115	665	-	-	665
Write-offs	-	-	(129)	(129)	-	-	(218)	(218)
Recoveries of assets previously written-off	-	-	745	745	-	-	37	37
Unwinding of discount on present value of ECLs	-	-	72	72	-	-	74	74
<b>Balance at December 31</b>	<b>1,294</b>	<b>208</b>	<b>930</b>	<b>2,432</b>	<b>745</b>	<b>37</b>	<b>174</b>	<b>956</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loan to customers at amortized cost- lombard loans*</b>								
<b>Balance at January 1</b>	<b>36</b>	<b>5</b>	<b>27</b>	<b>68</b>	<b>21</b>	<b>3</b>	<b>53</b>	<b>77</b>
Transfer to Stage 1	-	-	-	-	1	-	(1)	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	(3)	(1)	4	-	-	-	-	-
Net remeasurement of loss allowance	(65)	6	(242)	(301)	(32)	2	(30)	(60)
New assets originated or purchased	61	-	-	61	46	-	-	46
Write-offs	-	-	(43)	(43)	-	-	(23)	(23)
Recoveries of assets previously written-off	-	-	298	298	-	-	9	9
Unwinding of discount on present value of ECLs	-	-	3	3	-	-	19	19
<b>Balance at December 31</b>	<b>29</b>	<b>10</b>	<b>47</b>	<b>86</b>	<b>36</b>	<b>5</b>	<b>27</b>	<b>68</b>

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loan to customers at amortized cost- consumer loans*</b>								
<b>Balance at January 1</b>	<b>390</b>	<b>-</b>	<b>31</b>	<b>421</b>	<b>785</b>	<b>1</b>	<b>406</b>	<b>1,192</b>
Transfer to Stage 1	-	-	-	-	41	-	(41)	-
Transfer to Stage 2	(1)	1	-	-	-	8	(8)	-
Transfer to Stage 3	(90)	(2)	92	-	(2)	-	2	-
Net remeasurement of loss allowance	(220)	2	(90)	(308)	(515)	(9)	95	(429)
New assets originated or purchased	19	-	-	19	81	-	-	81
Write-offs	-	-	(26)	(26)	-	-	(476)	(476)
Recoveries of assets previously written-off	-	-	136	136	-	-	45	45
Unwinding of discount on present value of ECLs	-	-	6	6	-	-	8	8
<b>Balance at December 31</b>	<b>98</b>	<b>1</b>	<b>149</b>	<b>248</b>	<b>390</b>	<b>-</b>	<b>31</b>	<b>421</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loan to customers at amortized cost- credit cards*</b>								
<b>Balance at January 1</b>	<b>44</b>	<b>2</b>	<b>80</b>	<b>126</b>	<b>64</b>	<b>2</b>	<b>127</b>	<b>193</b>
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	(51)	(7)	58	-	(1)	(1)	2	-
Net remeasurement of loss allowance	18	5	(48)	(25)	(56)	1	(5)	(60)
New assets originated or purchased	4	-	-	4	37	-	-	37
Write-offs	-	-	(9)	(9)	-	-	(63)	(63)
Recoveries of assets previously written-off	-	-	27	27	-	-	4	4
Unwinding of discount on present value of ECLs	-	-	5	5	-	-	15	15
<b>Balance at December 31</b>	<b>15</b>	<b>-</b>	<b>113</b>	<b>128</b>	<b>44</b>	<b>2</b>	<b>80</b>	<b>126</b>

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Loan to customers at amortized cost- car loans*</b>								
<b>Balance at January 1</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>122</b>	<b>124</b>
Transfer to Stage 1	-	-	-	-	-	-	-	-
Transfer to Stage 2	-	-	-	-	-	22	(22)	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Net remeasurement of loss allowance	(2)	(1)	-	(3)	(1)	(21)	3	(19)
New assets originated or purchased	-	-	-	-	1	-	-	1
Write-offs	-	-	-	-	-	-	(104)	(104)
Recoveries of assets previously written-off	-	-	-	-	-	-	1	1
Unwinding of discount on present value of ECLs	-	-	-	-	-	-	-	-
<b>Balance at December 31</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>3</b>

\* The loss allowance in these tables includes ECL on loan commitments, because the Group does not separately identify the ECL on the loan commitment component from those on the financial instrument component.

#### Credit quality analysis

The following table sets out information about the credit quality of loans to customers measured at amortized cost as at December 31, 2024 and 2023. Unless specially indicated, the amounts in the table represent gross carrying amounts.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

Explanation of the terms: Stage 1, Stage 2 and Stage 3 are included in Note 3.

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to customers at amortized cost – corporate loans</b>				
Not overdue	228,862	226	3,083	232,171
Overdue less than 30 days	17,976	6	451	18,433
Overdue 30-89 days	112	14,750	2,287	17,149
Overdue 90-179 days	-	-	922	922
Overdue 180-360 days	-	-	1,703	1,703
Overdue more than 360 days	-	-	18,664	18,664
<b>Total</b>	<b>246,950</b>	<b>14,982</b>	<b>27,110</b>	<b>289,042</b>
Less: Allowance for expected credit losses	(5,969)	(4,419)	(18,956)	(29,344)
<b>Carrying amount</b>	<b>240,981</b>	<b>10,563</b>	<b>8,154</b>	<b>259,698</b>

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to customers at amortized cost – corporate loans</b>				
Not overdue	218,946	338	331	219,615
Overdue less than 30 days	7,957	993	680	9,630
Overdue 30-89 days	1,249	1,718	257	3,224
Overdue 90-179 days	-	-	3,415	3,415
Overdue 180-360 days	-	-	15,095	15,095
Overdue more than 360 days	1	-	2,653	2,654
<b>Total</b>	<b>228,153</b>	<b>3,049</b>	<b>22,431</b>	<b>253,633</b>
Less: Allowance for expected credit losses	(7,352)	(1,049)	(11,756)	(20,157)
<b>Carrying amount</b>	<b>220,801</b>	<b>2,000</b>	<b>10,675</b>	<b>233,476</b>

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to customers at amortized cost – cash loans</b>				
Not overdue	209,895	-	108	210,003
Overdue less than 30 days	4,127	-	71	4,198
Overdue 30-89 days	25	740	12	777
Overdue 90-179 days	-	4	637	641
Overdue 180-360 days	-	-	981	981
Overdue more than 360 days	-	-	1,710	1,710
<b>Total</b>	<b>214,047</b>	<b>744</b>	<b>3,519</b>	<b>218,310</b>
Less: Allowance for expected credit losses	(2,418)	(333)	(2,543)	(5,294)
<b>Carrying amount</b>	<b>211,629</b>	<b>411</b>	<b>976</b>	<b>213,016</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to customers at amortized cost –</b>				
<b>cash loans</b>				
Not overdue	177,333	1	19	177,353
Overdue less than 30 days	2,656	2	22	2,680
Overdue 30-89 days	26	371	38	435
Overdue 90-179 days	-	-	491	491
Overdue 180-360 days	-	-	615	615
Overdue more than 360 days	-	-	725	725
<b>Total</b>	<b>180,015</b>	<b>374</b>	<b>1,910</b>	<b>182,299</b>
Less: Allowance for expected credit losses	(1,888)	(93)	(1,219)	(3,200)
<b>Carrying amount</b>	<b>178,127</b>	<b>281</b>	<b>691</b>	<b>179,099</b>

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to customers at amortized cost –</b>				
<b>mortgage loans</b>				
Not overdue	155,435	-	42	155,477
Overdue less than 30 days	95	-	-	95
Overdue 30-89 days	-	247	-	247
Overdue 90-179 days	-	-	99	99
Overdue 180-360 days	-	-	-	-
Overdue more than 360 days	-	-	45	45
<b>Total</b>	<b>155,530</b>	<b>247</b>	<b>186</b>	<b>155,963</b>
Less: Allowance for expected credit losses	(167)	(40)	(57)	(264)
<b>Carrying amount</b>	<b>155,363</b>	<b>207</b>	<b>129</b>	<b>155,699</b>

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to customers at amortized cost –</b>				
<b>mortgage loans</b>				
Not overdue	136,237	-	-	136,237
Overdue less than 30 days	155	-	-	155
Overdue 30-89 days	-	24	-	24
Overdue 90-179 days	-	-	33	33
Overdue 180-360 days	-	-	-	-
Overdue more than 360 days	-	-	66	66
<b>Total</b>	<b>136,392</b>	<b>24</b>	<b>99</b>	<b>136,515</b>
Less: Allowance for expected credit losses	(264)	(5)	(31)	(300)
<b>Carrying amount</b>	<b>136,128</b>	<b>19</b>	<b>68</b>	<b>136,215</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to customers at amortized cost – micro loans</b>				
Not overdue	119,475	-	67	119,542
Overdue less than 30 days	3,927	-	63	3,990
Overdue 30-89 days	30	499	-	529
Overdue 90-179 days	-	-	395	395
Overdue 180-360 days	-	-	443	443
Overdue more than 360 days	-	-	571	571
<b>Total</b>	<b>123,432</b>	<b>499</b>	<b>1,539</b>	<b>125,470</b>
Less: Allowance for expected credit losses	(1,294)	(208)	(930)	(2,432)
<b>Carrying amount</b>	<b>122,138</b>	<b>291</b>	<b>609</b>	<b>123,038</b>

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to customers at amortized cost – micro loans</b>				
Not overdue	90,399	3	11	90,413
Overdue less than 30 days	2,206	-	4	2,210
Overdue 30-89 days	68	170	13	251
Overdue 90-179 days	-	-	158	158
Overdue 180-360 days	-	-	116	116
Overdue more than 360 days	-	-	88	88
<b>Total</b>	<b>92,673</b>	<b>173</b>	<b>390</b>	<b>93,236</b>
Less: Allowance for expected credit losses	(745)	(37)	(174)	(956)
<b>Carrying amount</b>	<b>91,928</b>	<b>136</b>	<b>216</b>	<b>92,280</b>

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to customers at amortized cost – lombard loans</b>				
Not overdue	45,903	-	-	45,903
Overdue less than 30 days	1,720	-	1	1,721
Overdue 30-89 days	10	92	-	102
Overdue 90-179 days	-	-	60	60
Overdue 180-360 days	-	-	52	52
Overdue more than 360 days	-	-	53	53
<b>Total</b>	<b>47,633</b>	<b>92</b>	<b>166</b>	<b>47,891</b>
Less: Allowance for expected credit losses	(29)	(10)	(47)	(86)
<b>Carrying amount</b>	<b>47,604</b>	<b>82</b>	<b>119</b>	<b>47,805</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to customers at amortized cost – lombard loans</b>				
Not overdue	35,594	-	-	35,594
Overdue less than 30 days	1,545	-	1	1,546
Overdue 30-89 days	7	66	-	73
Overdue 90-179 days	-	-	27	27
Overdue 180-360 days	-	-	24	24
Overdue more than 360 days	2	-	47	49
<b>Total</b>	<b>37,148</b>	<b>66</b>	<b>99</b>	<b>37,313</b>
Less: Allowance for expected credit losses	(36)	(5)	(27)	(68)
<b>Carrying amount</b>	<b>37,112</b>	<b>61</b>	<b>72</b>	<b>37,245</b>

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to customers at amortized cost – consumer loans</b>				
Not overdue	14,711	-	-	14,711
Overdue less than 30 days	6,971	-	-	6,971
Overdue 30-89 days	-	21	8	29
Overdue 90-179 days	-	-	3	3
Overdue 180-360 days	-	-	371	371
Overdue more than 360 days	-	-	85	85
<b>Total</b>	<b>21,682</b>	<b>21</b>	<b>467</b>	<b>22,170</b>
Less: Allowance for expected credit losses	(98)	(1)	(149)	(248)
<b>Carrying amount</b>	<b>21,584</b>	<b>20</b>	<b>318</b>	<b>21,922</b>

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to customers at amortized cost – consumer loans</b>				
Not overdue	16,445	21	2	16,468
Overdue less than 30 days	478	-	-	478
Overdue 30-89 days	5	7	-	12
Overdue 90-179 days	-	-	-	-
Overdue 180-360 days	-	-	39	39
Overdue more than 360 days	-	-	32	32
<b>Total</b>	<b>16,928</b>	<b>28</b>	<b>73</b>	<b>17,029</b>
Less: Allowance for expected credit losses	(390)	-	(31)	(421)
<b>Carrying amount</b>	<b>16,538</b>	<b>28</b>	<b>42</b>	<b>16,608</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to customers at amortized cost – credit cards</b>				
Not overdue	3,325	-	1	3,326
Overdue less than 30 days	4	-	10	14
Overdue 30-89 days	-	7	12	19
Overdue 90-179 days	-	-	9	9
Overdue 180-360 days	-	-	22	22
Overdue more than 360 days	-	-	64	64
<b>Total</b>	<b>3,329</b>	<b>7</b>	<b>118</b>	<b>3,454</b>
Less: Allowance for expected credit losses	(15)	-	(113)	(128)
<b>Carrying amount</b>	<b>3,314</b>	<b>7</b>	<b>5</b>	<b>3,326</b>

	December 31, 2023			Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to customers at amortized cost – credit cards</b>				
Not overdue	3,208	-	1	3,209
Overdue less than 30 days	25	-	14	39
Overdue 30-89 days	-	9	3	12
Overdue 90-179 days	-	-	14	14
Overdue 180-360 days	-	-	31	31
Overdue more than 360 days	-	-	22	22
<b>Total</b>	<b>3,233</b>	<b>9</b>	<b>85</b>	<b>3,327</b>
Less: Allowance for expected credit losses	(44)	(2)	(80)	(126)
<b>Carrying amount</b>	<b>3,189</b>	<b>7</b>	<b>5</b>	<b>3,201</b>

	December 31, 2024			Total
	Stage 1	Stage 2	Stage 3	
<b>Loans to customers at amortized cost – car loans</b>				
Not overdue	134	-	-	134
Overdue less than 30 days	-	15	-	15
Overdue 30-89 days	-	-	-	-
Overdue 90-179 days	-	-	-	-
Overdue 180-360 days	-	-	-	-
Overdue more than 360 days	-	-	-	-
<b>Total</b>	<b>134</b>	<b>15</b>	<b>-</b>	<b>149</b>
Less: Allowance for expected credit losses	-	-	-	-
<b>Carrying amount</b>	<b>134</b>	<b>15</b>	<b>-</b>	<b>149</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Loans to customers at amortized cost – car loans</b>				
Not overdue	147	25	-	172
Overdue less than 30 days	2	-	-	2
Overdue 30-89 days	-	-	-	-
Overdue 90-179 days	-	-	-	-
Overdue 180-360 days	-	-	-	-
Overdue more than 360 days	-	-	-	-
<b>Total</b>	<b>149</b>	<b>25</b>	<b>-</b>	<b>174</b>
Less: Allowance for expected credit losses	(2)	(1)	-	(3)
<b>Carrying amount</b>	<b>147</b>	<b>24</b>	<b>-</b>	<b>171</b>

The following table sets out information on loans to customers that are credit-impaired (excluding POCI) and related collateral held in order to mitigate potential losses as at December 31, 2024:

AZN'000	Gross carrying amount	Loss allowance	Carrying amount	Fair value of collateral held				Total
				Cash and deposits	Precious metals	Real estate	Equipments	
Corporate loans	27,110	(18,956)	8,154	2,343	3,096	19,616	50,920	75,975
Cash loans	3,519	(2,543)	976	-	1	-	1	2
Mortgage loans	186	(57)	129	-	-	353	-	353
Micro loans	1,539	(930)	609	-	67	1,792	2,682	4,541
Lombard loans	166	(47)	119	-	366	-	-	366
Consumer loans	467	(149)	318	12	425	1,139	434	2,010
Credit cards	118	(113)	5	-	-	-	-	-
Car loans	-	-	-	-	-	-	-	-
<b>Total credit-impaired loans to customers</b>	<b>33,105</b>	<b>(22,795)</b>	<b>10,310</b>	<b>2,355</b>	<b>3,955</b>	<b>22,900</b>	<b>54,037</b>	<b>83,247</b>

The following table provides information on collateral securing loans to customers, net of impairment, by types of collateral as at December 31, 2024:

AZN'000	Gross carrying amount	Loss allowance	Carrying amount	Fair value of collateral held				Total
				Cash and deposits	Precious metals	Real estate	Equipments	
Corporate loans	289,042	(29,344)	259,698	7,488	40,889	479,823	198,007	726,207
Cash loans	218,310	(5,294)	213,016	377	186	308	599	1,470
Mortgage loans	155,963	(264)	155,699	-	-	240,970	-	240,970
Micro loans	125,470	(2,432)	123,038	190	5,469	139,599	110,678	255,936
Lombard loans	47,891	(86)	47,805	-	105,619	-	-	105,619
Consumer loans	22,170	(248)	21,922	22,787	449	14,119	457	37,812
Credit cards	3,454	(128)	3,326	1,106	-	-	45	1,151
Car loans	149	-	149	-	-	-	472	472
<b>Total loans to customers</b>	<b>862,449</b>	<b>(37,796)</b>	<b>824,653</b>	<b>31,948</b>	<b>152,612</b>	<b>874,819</b>	<b>310,258</b>	<b>1,369,637</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

The following table sets out information on loans to customers that are credit-impaired (excluding POCI) and related collateral held in order to mitigate potential losses as at December 31, 2023:

AZN'000	Gross carrying amount	Loss allowance	Carrying amount	Fair value of collateral held				Total
				Cash and deposits	Precious metals	Real estate	Equipments	
Corporate loans	22,431	(11,756)	10,675	5,703	-	11,977	35,162	52,842
Cash loans	1,910	(1,219)	691	-	-	-	-	-
Micro loans	390	(174)	216	-	-	281	381	662
Mortgage loans	99	(31)	68	-	-	206	-	206
Lombard loans	99	(27)	72	-	98	-	-	98
Credit cards	85	(80)	5	-	-	72	-	72
Consumer loans	73	(31)	42	17	-	175	-	192
Car loans	-	-	-	-	-	-	-	-
<b>Total credit-impaired loans to customers</b>	<b>25,087</b>	<b>(13,318)</b>	<b>11,769</b>	<b>5,720</b>	<b>98</b>	<b>12,711</b>	<b>35,543</b>	<b>54,072</b>

The following table provides information on collateral securing loans to customers, net of impairment, by types of collateral as at December 31, 2023:

AZN'000	Gross carrying amount	Loss allowance	Carrying amount	Fair value of collateral held				Total
				Cash and deposits	Precious metals	Real estate	Equipments	
Corporate loans	253,633	(20,157)	233,476	35,857	108	349,906	86,564	472,435
Cash loans	182,299	(3,200)	179,099	31	87	698	3,643	4,459
Mortgage loans	136,515	(300)	136,215	-	-	175,059	-	175,059
Micro loans	93,236	(956)	92,280	83	3,130	55,182	60,457	118,852
Lombard loans	37,313	(68)	37,245	-	37,932	-	-	37,932
Consumer loans	17,029	(421)	16,608	15,112	-	6,953	3	22,068
Credit cards	3,327	(126)	3,201	1,358	-	187	61	1,606
Car loans	174	(3)	171	-	-	-	409	409
<b>Total loans to customers</b>	<b>723,526</b>	<b>(25,231)</b>	<b>698,295</b>	<b>52,441</b>	<b>41,257</b>	<b>587,985</b>	<b>151,137</b>	<b>832,820</b>

#### Repossessed collateral

During the year ended December 31, 2024, the Group obtained certain assets by taking possession of collateral for loans to customers with a gross carrying amount of AZN 131 thousand (December 31, 2023: AZN 230 thousand).

#### Significant credit exposures

As at December 31, 2024, the Group had 1 borrower or group of connected borrowers (December 31, 2023: 3) with gross loan balances individually exceeding 10% of equity. The gross value of these loans as at December 31, 2024 was AZN 13,523 thousand (December 31, 2023: AZN 48,368 thousand).

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

*(In thousands of AZN, unless otherwise indicated)*

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#### **Key assumptions and judgments for estimating the loan impairment**

As at December 31, 2024 and 2023, the Group estimates ECL for significant corporate loans in Stage 3 based on an individual review of each loan and estimation of its future cash flows. This estimate of future cash flows is dependent on factors such as the estimated value of underlying collateral and delay of 12 to 48 months in obtaining proceeds from the foreclosure of collateral. The Group then calculates the net present value of these cash flows using a discount rate which equates to the original effective interest rate of the loan, in order to determine the required amount of ECL.

For the remaining portfolio of loans the Group calculates ECL as described in Note 25, on a collective basis. The key areas of uncertainty and assumptions used in the calculation of the collective impairment are:

- a delay in obtaining proceeds from the foreclosure of collateral;
- a discount for real estates originally appraised value.

Changes in these estimates could affect the expected credit losses. For example, to the extent that the net present value of the estimated cash flow differs by one percent, the expected credit losses on loans to customers as at December 31, 2024 would be AZN 378 thousand lower/higher (December 31, 2023: AZN 252 thousand lower/higher).

**“RABITABANK” OPEN JOINT-STOCK COMPANY**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)**

*(In thousands of AZN, unless otherwise indicated)*

**14. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS**

	<b>Buildings</b>	<b>Computers</b>	<b>Furniture and equipment</b>	<b>Vehicles</b>	<b>Leasehold improvements</b>	<b>Computer software</b>	<b>Total</b>
<b>Cost/revalued amount</b>							
<b>As at January 1, 2023</b>	<u>5,470</u>	<u>5,917</u>	<u>6,708</u>	<u>1,781</u>	<u>1,062</u>	<u>1,658</u>	<u>22,596</u>
Additions	-	817	173	762	503	78	2,333
Disposals	-	(39)	(94)	(218)	(131)	-	(482)
<b>As at December 31, 2023</b>	<u>5,470</u>	<u>6,695</u>	<u>6,787</u>	<u>2,325</u>	<u>1,434</u>	<u>1,736</u>	<u>24,447</u>
Additions	-	861	568	211	445	513	2,598
Disposals	-	(833)	(352)	(511)	(19)	-	(1,715)
<b>As at December 31, 2024</b>	<u>5,470</u>	<u>6,723</u>	<u>7,003</u>	<u>2,025</u>	<u>1,860</u>	<u>2,249</u>	<u>25,330</u>
<b>Accumulated depreciation and amortization</b>							
<b>As at January 1, 2023</b>	<u>(1,263)</u>	<u>(3,791)</u>	<u>(4,336)</u>	<u>(1,391)</u>	<u>(420)</u>	<u>(760)</u>	<u>(11,961)</u>
Depreciation and amortization for the year	(108)	(897)	(724)	(198)	(249)	(173)	(2,349)
Disposals	-	36	86	218	131	-	471
<b>As at December 31, 2023</b>	<u>(1,371)</u>	<u>(4,652)</u>	<u>(4,974)</u>	<u>(1,371)</u>	<u>(538)</u>	<u>(933)</u>	<u>(13,839)</u>
Depreciation and amortization for the year	(108)	(960)	(718)	(332)	(287)	(274)	(2,679)
Disposals	-	786	273	426	19	-	1,504
<b>As at December 31, 2024</b>	<u>(1,479)</u>	<u>(4,826)</u>	<u>(5,419)</u>	<u>(1,277)</u>	<u>(806)</u>	<u>(1,207)</u>	<u>(15,014)</u>
<b>Carrying amount</b>							
<b>As at December 31, 2024</b>	<u>3,991</u>	<u>1,897</u>	<u>1,584</u>	<u>748</u>	<u>1,054</u>	<u>1,042</u>	<u>10,316</u>
<b>As at December 31, 2023</b>	<u>4,099</u>	<u>2,043</u>	<u>1,813</u>	<u>954</u>	<u>896</u>	<u>803</u>	<u>10,608</u>

As at December 31, 2024 and 2023 included in property, equipment, and intangible assets were fully depreciated assets of AZN 7,531 thousand and AZN 7,054 thousand, respectively.

As at December 31, 2024 and 2023, included in property and equipment were insured assets of AZN 8,220 thousand and AZN 8,909 thousand, respectively.

As at December 31, 2024 and 2023, no property, equipment, and intangible assets were pledged as collateral for liabilities.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

There are no capitalized borrowing costs related to the acquisition or construction of property and equipment during 2024 (December 31, 2023: nil).

#### Revalued assets

The fair values of the Group’s buildings are categorised into Level 3 of the fair value hierarchy. During the year the Group has not carried out revaluation, but management estimates that fair values of assets are close to their carrying amount.

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

The carrying value of buildings as at December 31, 2024, if they would not have been revalued, would be AZN 1,489 thousand (December 31, 2023: AZN 1,585 thousand).

#### 15. RIGHT-OF-USE ASSETS

	December 31, 2024	December 31, 2023
<b>Balance at the beginning of the year</b>	<b>4,137</b>	<b>2,294</b>
Additions	143	2,020
Modifications	1,477	1,632
Depreciation charge for the year	(1,939)	(1,809)
<b>Balance at the end of the year</b>	<b>3,818</b>	<b>4,137</b>

#### 16. OTHER ASSETS

	December 31, 2024	December 31, 2023
<b>Financial assets:</b>		
Receivable from intermediaries	22,059	35,005
Funds in settlement	9,455	13,106
Receivables on overdrafts	2,048	2,027
Receivables from sale of repossessed collaterals	1,770	1,125
Others	1,383	1,632
Less: allowance for expected credit losses	(3,499)	(2,942)
<b>Total other financial assets</b>	<b>33,216</b>	<b>49,953</b>
<b>Non-financial assets:</b>		
Prepaid expenses	1,051	1,528
Prepayments for purchase of property, equipment and intangible assets	578	96
Others	230	391
<b>Total other non-financial assets</b>	<b>1,859</b>	<b>2,015</b>
<b>Total other assets</b>	<b>35,075</b>	<b>51,968</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

There were no transfers between stages during the years ended December 31, 2024 and 2023.

Analysis of movements in the allowance for expected credit losses is as follows:

	December 31, 2024	December 31, 2023
<b>Balance at the beginning of the year</b>	(2,942)	(2,942)
Charge of expected credit losses	<u>(557)</u>	<u>-</u>
<b>Balance at the end of the year</b>	<u><u>(3,499)</u></u>	<u><u>(2,942)</u></u>

#### 17. AMOUNT DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31, 2024	December 31, 2023
Term deposits by resident financial institutions	29,327	10,666
Loro accounts and demand deposits by resident financial institutions	<u>18,915</u>	<u>344</u>
<b>Total amounts due to banks and other financial institutions</b>	<u><u>48,242</u></u>	<u><u>11,010</u></u>

As at December 31, 2024, the Group had 1 bank (December 31, 2023: 1 bank), whose balance exceeded 10 % of equity. The gross value of this balance as at December 31, 2024 was AZN 15,114 thousand (December 31, 2023: AZN 10,666 thousand).

As at December 31, 2024, accrued interest payable included in amounts due to banks and other financial institutions amounted to AZN 419 thousand (December 31, 2023: AZN 1 thousand).

#### 18. AMOUNTS DUE TO CUSTOMERS

	December 31, 2024	December 31, 2023
<b>Loro accounts and demand deposits</b>		
- Retail	150,994	161,292
- Corporate	<u>136,901</u>	<u>177,271</u>
<b>Total loro accounts and demand deposits</b>	<u><u>287,895</u></u>	<u><u>338,563</u></u>
<b>Term deposits</b>		
- Retail	331,994	301,441
- Corporate	<u>61,581</u>	<u>127,930</u>
<b>Total term deposits</b>	<u><u>393,575</u></u>	<u><u>429,371</u></u>
<b>Total amounts due to customers</b>	<u><u>681,470</u></u>	<u><u>767,934</u></u>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

Economic sector concentrations within amounts due to customers are as follows:

	December 31, 2024	December 31, 2023
<b>Analysis by economic sector/customer type:</b>		
Individuals	482,988	462,733
Trade and service	134,160	202,695
Manufacturing	26,351	18,284
Construction	11,416	9,332
Government related entities	8,424	38,248
Transportation and communication	5,380	6,688
Others	12,751	29,954
	<u>681,470</u>	<u>767,934</u>
<b>Total amounts due to customers</b>	<b><u>681,470</u></b>	<b><u>767,934</u></b>

As at December 31, 2024, the Group had 2 customers (December 31, 2023: 5 customers), whose balances individually exceeded 10% of equity. The total amounts of these balances as at December 31, 2024 were AZN 62,775 thousand (December 31, 2023: AZN 185,729 thousand).

As at December 31, 2024, the Group maintained customer deposit balances of AZN 31,948 thousand (December 31, 2023: AZN 52,441 thousand) that served as collateral against loans and credit-related commitments.

Included in customer accounts in the amount of AZN 434,181 thousand and AZN 396,579 thousand as at December 31, 2024 and 2023, respectively are deposits secured by the Azerbaijan Deposit Insurance Fund.

As at December 31, 2024, accrued interest payable included in amounts due to customers amounted to AZN 12,175 thousand (December 31, 2023: AZN 10,124 thousand).

## 19. BORROWED FUNDS AND SUBORDINATED BORROWINGS

	December 31, 2024	December 31, 2023
<b>Borrowed funds</b>		
Azerbaijan Mortgage and Credit Guarantee Fund	149,465	133,490
Business Development Fund of the Republic of Azerbaijan	71,476	61,005
Black Sea Trade and Development Bank	8,755	-
Nakhchivan Mortgage and Credit Guarantee Fund	4,463	-
Agrarian Credit and Development Agency under the Ministry of Agriculture	3,550	7,128
The Central Bank of the Republic of Azerbaijan	-	1,058
<b>Total borrowed funds</b>	<u>237,709</u>	<u>202,681</u>
<b>Subordinated borrowings</b>	<u>14,590</u>	<u>6,062</u>
<b>Total</b>	<u>252,299</u>	<u>208,743</u>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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#### *Azerbaijan Mortgage and Credit Guarantee Fund*

The Group signed an agreement on December 2, 2016 with the Azerbaijan Mortgage and Credit Guarantee Fund, for the initial financing and refinancing of mortgage loans at an interest rate of 1-4% p.a. and the Group further on lends these funds to eligible borrowers at rates not higher than 8% p.a. As at December 31, 2024, the Group has AZN 149,465 thousand (December 31, 2023: AZN 133,490 thousand) payable to the fund, repayable up to September 2053. There are no financial covenants with regard to borrowing from the Azerbaijan Mortgage and Credit Guarantee Fund, the Group should comply with.

#### *Business Development Fund of the Republic of Azerbaijan*

The Group signed a credit agreement on November 26, 2009 with the Business Development Fund of the Republic of Azerbaijan, a programme under the auspices of the Ministry of Economy of the Republic of Azerbaijan, for the financing of small and medium-size enterprises. Under this programme, funds are made available to the Group at an interest rate of 1.0% per annum and the Group lends these funds on to eligible borrowers at rates not higher than 6.0%-8.0% per annum. As at December 31, 2024 the Group has AZN 71,476 thousand (December 31, 2023: AZN 61,005 thousand) payable to the fund, repayable up to October 2032. There are no financial covenants with regard to borrowing from the Business Development Fund of the Republic of Azerbaijan that the Group should comply with.

#### *Black Sea Trade and Development Bank*

On December 13, 2023, the Bank entered into a loan agreement with the Black Sea Trade and Development Bank (BSTDB) for supporting SME financing in Azerbaijan. As at December 31, 2024, the Group has AZN 8,755 thousand (December 31, 2023: nil) repayable up to October 2026 with interest rate of 12%. The loan is senior secured and subject to certain financial covenants that the Group complies with as at December 31, 2024.

#### *Nakhchivan Mortgage and Credit Guarantee Fund*

The Group signed an agreement on April 29, 2024 with the Nakhchivan Mortgage and Credit Guarantee Fund, for the initial financing and refinancing of mortgage loans at an interest rate of 2-4.5% p.a. and the Group further on lends these funds to eligible borrowers at rates not higher than 8% p.a. As at December 31, 2024, the Group has AZN 4,463 thousand (December 31, 2023: nil) payable to the fund, repayable up to December 2054. There are no financial covenants with regard to borrowing from the Nakhchivan Mortgage and Credit Guarantee Fund, the Group should comply with.

#### *Agrarian Credit and Development Agency under the Ministry of Agriculture*

The Group signed an agreement with the Agrarian Credit and Development Agency under the Ministry of Agriculture on May 24, 2018 for financing agricultural investments. Under this programme, funds are made available to the Group at an interest rate of 2.0% per annum and the Group lends these funds on to eligible borrowers at rates not higher than 7.0%. As at December 31, 2024, the Group has AZN 3,550 thousand (December 31, 2023: AZN 7,128 thousand) payable to the fund, repayable up to September 2028. There are no financial covenants with regard to borrowing from the Azerbaijan State Agency on Agricultural Credits that the Group should comply with.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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

As at December 31, 2024, accrued interest payable included in borrowed funds amounted to AZN 783 thousand (December 31, 2023: AZN 501 thousand).

#### *Subordinated borrowings*

Subordinated borrowings comprised deposits denominated in USD, including:

- As at December 31, 2024, AZN 6,062 thousand placed by related party “Mega Insurance” OJSC under a subordinated loan agreement signed in April 2024, maturing in April 2031, with an annual interest rate of 7.0% (December 31, 2023: AZN 6,062 thousand);
- As at December 31, 2024, AZN 8,528 thousand placed by “Kapital Bank” OJSC under a subordinated loan agreement signed in December 2024, maturing in December 2031, with an annual interest rate of 7.5%. (December 31, 2023: nil)

In case of bankruptcy, the repayment of the subordinated borrowings will be made after settlement in full of all other liabilities of the Group.

As at December 31, 2024, accrued interest payable included in subordinated borrowings amounted to AZN 140 thousand (December 31, 2023: AZN 112 thousand)

Reconciliation of movements of borrowed funds and subordinated borrowings to cash flows arising from financing activities:

	<b>Borrowed funds</b>	<b>Subordinated borrowings</b>	<b>Total</b>
<b>Balance as at January 1, 2024</b>	<b>202,681</b>	<b>6,062</b>	<b>208,743</b>
<b>Changes from financing cash flows</b>			
Proceeds	105,692	14,450	120,142
Repayment	(70,946)	(5,950)	(76,896)
<b>Total</b>	<b>237,427</b>	<b>14,562</b>	<b>251,989</b>
<b>Other changes</b>			
Interest expense	6,330	451	6,781
Interest paid	(6,048)	(423)	(6,471)
<b>Balance as at December 31, 2024</b>	<b>237,709</b>	<b>14,590</b>	<b>252,299</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	Borrowed funds	Subordinated borrowings	Total
<b>Balance as at January 1, 2023</b>	<b>164,189</b>	<b>6,062</b>	<b>170,251</b>
<b>Changes from financing cash flows</b>			
Proceeds	128,019	-	128,019
Repayments	(89,699)	-	(89,699)
<b>Total changes</b>	<b>202,509</b>	<b>6,062</b>	<b>208,571</b>
<b>Other changes</b>			
Interest expense	4,675	446	5,121
Interest paid	(4,503)	(446)	(4,949)
<b>Balance as at December 31, 2023</b>	<b>202,681</b>	<b>6,062</b>	<b>208,743</b>

## 20. DEBT SECURITIES ISSUED

	December 31, 2024	December 31, 2023
Local bonds	8,619	-
<b>Total</b>	<b>8,619</b>	<b>-</b>

Debt securities issued represent bonds registered in the State Register for Securities by the Central Bank of the Republic of Azerbaijan. Bonds were issued at par, are unsecured, carry interest rate of 9.5% per annum, and mature in May 2026. Bondholders have the right to demand repayment of principal before the maturity. There are no restrictions regarding the sale and purchase of the bonds in the secondary market.

As at December 31, 2024 and 2023, accrued interest payable included in debt securities issued amounted to AZN 104 thousand and nil, respectively.

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

	Amount
<b>January 1, 2024</b>	<b>-</b>
<b>Cash flows</b>	
Proceeds	9,943
Repayments	(1,445)
Interest paid	(411)
<b>Non-cash changes</b>	
Interest expense	532
<b>December 31, 2024</b>	<b>8,619</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

#### 21. LEASE LIABILITY

The Group mainly leases a number of branch and office premises. The leases typically run for a period of 1-5 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every three years to reflect market rentals.

	December 31, 2024	December 31, 2023
Current lease liabilities	1,918	2,465
Non-current lease liabilities	<u>2,162</u>	<u>1,872</u>
<b>Total lease liabilities</b>	<b><u>4,080</u></b>	<b><u>4,337</u></b>

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

	Minimum lease payments due		
	Within one year	One to five years	Total
Lease payments	1,998	2,737	4,735
Finance charges	<u>(80)</u>	<u>(575)</u>	<u>(655)</u>
<b>Net present value as at December 31, 2024</b>	<b><u>1,918</u></b>	<b><u>2,162</u></b>	<b><u>4,080</u></b>

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

	Minimum lease payments due		
	Within one year	One to five years	Total
Lease payments	1,880	3,138	5,018
Finance charges	<u>(70)</u>	<u>(611)</u>	<u>(681)</u>
<b>Net present value as at December 31, 2023</b>	<b><u>1,810</u></b>	<b><u>2,527</u></b>	<b><u>4,337</u></b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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

	<b>Amount</b>
<b>January 1, 2023</b>	<b><u>2,491</u></b>
<b>Cash flows</b>	
Repayment	(1,806)
Interest paid	<u>(258)</u>
<b>Non-cash changes</b>	
Interest expense	258
Additions	2,020
Modifications	<u>1,632</u>
<b>December 31, 2023</b>	<b><u>4,337</u></b>
<b>Cash flows</b>	
Repayment	(1,877)
Interest paid	<u>(354)</u>
<b>Non-cash changes</b>	
Interest expense	354
Additions	143
Modifications	<u>1,477</u>
<b>December 31, 2024</b>	<b><u>4,080</u></b>

## 22. OTHER LIABILITIES

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
<b>Financial liabilities:</b>		
Funds in settlement	8,834	9,414
Accrued expenses	2,028	679
Payables to Azerbaijan Deposit Insurance Fund	<u>229</u>	<u>171</u>
<b>Total other financial liabilities</b>	<b><u>11,091</u></b>	<b><u>10,264</u></b>
<b>Non-financial liabilities:</b>		
Provision for guarantees	5,621	4,526
Payables to employees	4,562	4,112
Taxes payable	1,633	2,804
Payables to State Social Protection Fund	1,403	1,553
Others	<u>233</u>	<u>102</u>
<b>Total other non-financial liabilities</b>	<b><u>13,452</u></b>	<b><u>13,097</u></b>
<b>Total other liabilities</b>	<b><u>24,543</u></b>	<b><u>23,361</u></b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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#### 23. SHARE CAPITAL AND RESERVES

##### Issued capital

As at December 31, 2024 the authorized, issued and outstanding share capital comprises 4,992,611 ordinary shares (December 31, 2023: 4,992,611). All shares have a nominal value of AZN 20.44 per share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Group.

Dividends in the amount of AZN 9,700 thousand were declared and paid by the Group during the year ended December 31, 2024, with a dividend per share of AZN 1.94 (December 31, 2023: AZN 10,000, AZN 2.00).

As at December 31, 2024 and 2023 an adjustment of AZN 747 thousand is included in share capital. The adjustment is resulted from the restatement of share capital due to hyperinflation period of the Republic of Azerbaijan economy between 1993 and end of 1997.

##### Revaluation surplus for buildings

The revaluation surplus for buildings comprises the cumulative positive revalued value of buildings, until the assets are derecognized or impaired.

##### Earnings per share

	December 31, 2024	December 31, 2023
Net profit attributable to ordinary shareholders (AZN'000)	10,611	6,212
Weighted average number of ordinary shares for the year ended December 31 (thousands of shares)	4,993	4,993
Basic and diluted earnings per share (AZN per share)	<u>2.13</u>	<u>1.24</u>

#### 24. ANALYSIS BY SEGMENT

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the chief operating decision maker reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- retail banking – includes loans, deposits and other transactions with retail customers;
- corporate banking – includes loans, deposits and other transactions with corporate customers.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are based on statutory financial information and that are reviewed by the CEO. Segment profit is used to measure performance, as management believes that such information is the most pertinent in evaluating the results of certain segments relative to others who operate within these industries.

Segment breakdown of assets and liabilities is presented below:

	<b>December 31, 2024 (unaudited)</b>	<b>December 31, 2023 (unaudited)</b>
<b>ASSETS</b>		
Corporate banking	545,734	600,861
Retail banking	529,795	455,820
Other	79,733	74,083
<b>Total in management accounting</b>	<b>1,154,262</b>	<b>1,130,764</b>
Total IFRS adjustments amount	(32,372)	(12,581)
<b>Total per IFRS</b>	<b>1,122,890</b>	<b>1,118,183</b>
<b>LIABILITIES</b>		
Corporate banking	497,561	522,458
Retail banking	497,759	473,444
Other	36,277	25,963
<b>Total in management accounting</b>	<b>1,031,597</b>	<b>1,021,865</b>
Total IFRS adjustments amount	(12,344)	(6,480)
<b>Total per IFRS</b>	<b>1,019,253</b>	<b>1,015,385</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

Segment information for the main reportable segments for the year ended December 31, 2024 is presented below:

	Retail banking (unaudited)	Corporate banking (unaudited)	Unallocated (unaudited)	Total in management accounting (unaudited)	Total IFRS adjustment amount	Total per IFRS (unaudited)
Interest income	76,610	37,734	-	114,344	3,123	117,467
Recovery of expected credit losses on investment securities	-	(6)	-	(6)	656	650
Recovery/(charge) of expected credit losses due from banks and other financial institutions	-	(92)	-	(92)	278	186
Recovery of expected credit losses on other financial assets	-	-	652	652	(557)	95
Fee and commission income	31,958	15,741	-	47,699	(8,722)	38,977
Net gain on trading in foreign currencies	-	3,668	-	3,668	391	4,059
Net foreign exchange gain (loss)	(5)	(3)	-	(8)	16	8
Other operating income	1,611	793	-	2,404	2,015	4,419
<b>Revenue</b>	<b>110,174</b>	<b>57,835</b>	<b>652</b>	<b>168,661</b>	<b>(2,800)</b>	<b>165,861</b>
Interest expense	(30,950)	(12,719)	-	(43,669)	(714)	(44,383)
Charge of expected credit losses on loans to customers	(3,412)	(1,681)	-	(5,093)	(1,170)	(6,263)
Fee and commission expense	(30,459)	(12,517)	-	(42,976)	(1,525)	(44,501)
Impairment recovery/(losses) from assets held for sale and other assets	-	-	-	-	(666)	(666)
Charge of expected credit losses for financial guarantee contracts	-	-	-	-	(1,095)	(1,095)
Personnel expenses	(34,952)	-	-	(34,952)	(1,710)	(36,662)
Other general administrative expenses	(15,025)	(6,174)	-	(21,199)	2,597	(18,602)
<b>Segment result</b>	<b>(4,624)</b>	<b>24,744</b>	<b>652</b>	<b>20,772</b>	<b>(7,083)</b>	<b>13,689</b>
Income tax expense						3,078
<b>Net profit after taxes</b>						<b>10,611</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

Segment information for the main reportable segments for the year ended December 31, 2023 is presented below:

	<b>Retail banking (unaudited)</b>	<b>Corporate banking (unaudited)</b>	<b>Unallocated (unaudited)</b>	<b>Total in management accounting (unaudited)</b>	<b>Total IFRS adjustment amount</b>	<b>Total per IFRS (unaudited)</b>
Interest income calculated using the effective interest method	64,216	26,957	-	91,173	1,531	92,704
Fee and commission income	30,221	16,312	-	46,533	(7,722)	38,811
Net gain on trading in foreign currencies	2,357	1,272	-	3,629	-	3,629
Net loss on foreign exchange operations	(4)	(2)	-	(6)	-	(6)
Charge of expected credit losses on due from banks and other financial institutions	(70)	(52)	-	(122)	-	(122)
Other operating income	-	-	2,078	2,078	-	2,078
<b>Revenue</b>	<b>96,720</b>	<b>44,487</b>	<b>2,078</b>	<b>143,285</b>	<b>(6,191)</b>	<b>137,094</b>
Interest expense	(20,119)	(9,792)	-	(29,911)	(361)	(30,272)
Charge of expected credit losses on loans to customers	(2,354)	(1,271)	-	(3,625)	(4,060)	(7,685)
(Charge)/recovery of expected credit losses from investment securities	-	(4)	-	(4)	284	280
Fee and commission expense	(24,834)	(15,651)	-	(40,485)	(757)	(41,242)
Impairment recovery/(loss) on assets held for sale	-	-	786	786	855	1,641
Impairment recovery on other assets and liabilities	-	-	(393)	(393)	(2,227)	(2,620)
Personnel expenses	(18,977)	(10,243)	-	(29,220)	-	(29,220)
General and administrative expenses	(12,501)	(6,748)	-	(19,249)	2,014	(17,235)
<b>Segment result</b>	<b>17,935</b>	<b>778</b>	<b>2,471</b>	<b>21,184</b>	<b>(10,443)</b>	<b>10,741</b>
Income tax expense	-	-	(5,469)	(5,469)	940	(4,529)
<b>Net profit after taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,212</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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#### 25. RISK MANAGEMENT, CORPORATE GOVERNANCE AND INTERNAL CONTROL

Management of risk is fundamental to the business of banking and is an essential element of the Group’s operations. The major risks faced by the Group are those related to market risk, credit risk and liquidity risk.

##### **Corporate governance framework**

The Group is established as an open joint-stock company in accordance with Azerbaijani law. The supreme governing body of the Group is the General Shareholders’ meeting that is called for annual or extraordinary meetings. The General Shareholders’ meeting makes strategic decisions on the Group’s operations.

The General Shareholders’ meeting elects the Supervisory Board. The Supervisory Board is responsible for overall governance of the Group’s activities.

Azerbaijani legislation and the charter of the Group establish lists of decisions that are exclusively approved by the General Shareholders’ meeting and that are approved by the Supervisory Board.

As at December 31, 2024, the Supervisory Board includes:

- Zakir Nuriyev – Chairman of the Supervisory Board;
- Rauf Aliyev – Member of the Supervisory Board;
- Rahman Aliyev – Member of the Supervisory Board;
- Rashad Abbasov – Member of the Supervisory Board;
- Zaur Bakhshaliyev – Member of the Supervisory Board.

General activities of the Group are managed by the collective executive body of the Group. The General Shareholders’ meeting elects the Management Board. The executive body of the Group is responsible for implementation of decisions of the General Shareholders’ meeting and the Supervisory Board of the Group. Executive body of the Group reports to the Supervisory Board of the Group and to the General Shareholders’ meeting.

As at December 31, 2024 the Management Board included:

- Aydin Huseynov – Chairman of the Management Board;
- Orhan Gultakin – First Deputy Chairman of the Management Board;
- Samir Rzayev – CFO, Member of the Management Board;
- Ramil Nasibov – CTO, Member of the Management Board;
- Natig Novruzov – CRO, Member of the Management Board.

##### **Internal control policies and procedures**

The Supervisory Board and the Management Board have responsibility for the development, implementation and maintaining of internal controls in the Group that are commensurate with the scale and nature of operations.

## **“RABITABANK” OPEN JOINT-STOCK COMPANY**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)**

*(In thousands of AZN, unless otherwise indicated)*

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The purpose of internal controls is to ensure:

- proper and comprehensive risk assessment and management;
- proper business and accounting and financial reporting functions, including proper authorization, processing and recording of transactions;
- completeness, accuracy and timeliness of accounting records, managerial information, regulatory reports, etc.;
- reliability of IT systems, data and systems integrity and protection;
- prevention of fraudulent or illegal activities, including misappropriation of assets;
- compliance with laws and regulations.

Management is responsible for identifying and assessing risks, designing controls and monitoring their effectiveness. Management monitors the effectiveness of the Group’s internal controls and periodically implements additional controls or modifies existing controls as considered necessary.

The Group developed a system of standards, policies and procedures to ensure effective operations and compliance with relevant legal and regulatory requirements, including the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the recording, reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documenting of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

There is a hierarchy of requirements for authorization of transactions depending on their size and complexity. A significant portion of operations are automated and the Group put in place a system of automated controls.

The internal control system in the Group comprises:

- the Supervisory Board and its committees;
- the Chief Executive Officer and the Management Board;
- the Chief Accountant;
- the Risk Management Function;
- the Security Function, including IT-security;
- the Human Resource Function;
- the Internal Audit Function;
- other employees, division and functions that are responsible for compliance with the established standards, policies and procedures, including:

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

*(In thousands of AZN, unless otherwise indicated)*

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- heads of branches and heads of business units;
- business processes managers;
- division responsible for compliance with anti-money laundering requirements;
- the legal officer – an employee responsible for compliance with the legal and regulatory requirements;
- other employees with control responsibilities.

The main functions of the Internal Audit Function include the following:

- audit and efficiency assessment of the system of internal control as a whole, fulfillment of the decisions of key management structures;
- audit of efficiency of methodology of assessment of banking risks and risk management procedures, regulated by internal documents in credit organisation (methods, programmes, rules and procedures for banking operations and transactions, and for the management of banking risks);
- audit of reliability of internal control system over automated information systems;
- audit and testing of fairness, completeness and timeliness of accounting and reporting function and the reliability (including the trustworthiness, fullness and objectivity) of the collection and submission of financial information;
- audit of applicable methods of safekeeping the credit organisation’s property;
- assessment of economic reasonability and efficiency of operations and other deals;
- audit of internal control processes and procedures;
- audit by the Risk Department.

Compliance with the Group standards is supported by a program of periodic reviews undertaken by the Internal Audit Function. The Internal Audit Function is independent from management and reports directly to the Audit Committee and Supervisory Board. The results of the Internal Audit Function reviews are discussed with relevant business process managers, with summaries submitted to the Audit Committee and Supervisory Board and senior management of the Group.

Management believes that the Group complies with the CBAR requirements related to risk management and internal control systems, including requirements related to the Internal Audit Function, and that risk management and internal control systems are appropriate for the scale, nature and complexity of operations.

#### **Risk management policies and procedures**

Management of risk is fundamental to the business of banking and forms an essential element of the Group’s operations. The major risks faced by the Group are those related to market risk, credit risk, liquidity risk, and operational, legal and reputational risks.

The risk management policies aim to identify, analyze and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practices.

The Supervisory Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Group operates within established risk parameters.

## **“RABITABANK” OPEN JOINT-STOCK COMPANY**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)**

*(In thousands of AZN, unless otherwise indicated)*

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The Head of the Risk Department is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Deputy Chairman of the Management Board.

The Management Board of the Group has the responsibility for controlling the Group’s compliance with risk limits and capital adequacy ratios as established by the CBAR. With the view of controlling effectiveness of the Group’s risk management procedures and their consistent application the Management Board of the Group periodically receives reports prepared by the Internal Audit Function and the Risk Department, discuss the contents of these reports and consider proposed corrective actions.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a Credit Committee and an Asset and Liability Management Committee (ALCO).

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

#### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the Chairman of the Management Board. Market risk limits are approved by the ALCO based on recommendations of the Risk Department.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Supervisory Board.

#### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

#### Interest rate gap analysis

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

	Less than 1 month	1-3 months	3-12 months	1-5 years	More than 5 years	Non interest bearing	Carrying amount
<b>December 31, 2024</b>							
<b>FINANCIAL ASSETS</b>							
Cash and cash equivalents	10,000	-	-	-	-	58,992	68,992
Due from banks and other financial institutions	97	-	883	11,600	8,500	39,066	60,146
Investment securities	8,983	39,148	35,365	31,118	-	606	115,220
Loans to customers	67,735	60,455	250,529	320,637	125,297	-	824,653
Other financial assets	-	-	-	-	-	33,216	33,216
<b>Total financial assets</b>	<b>86,815</b>	<b>99,603</b>	<b>286,777</b>	<b>363,355</b>	<b>133,797</b>	<b>131,880</b>	<b>1,102,227</b>
<b>FINANCIAL LIABILITIES</b>							
Amounts due to banks and other financial institutions	15,385	935	250	1,800	14,450	15,422	48,242
Amounts due to customers	70,937	39,311	181,640	97,071	4,616	287,895	681,470
Borrowed funds	463	944	9,482	73,660	153,160	-	237,709
Debt securities issued	-	104	-	8,515	-	-	8,619
Subordinated borrowings	140	-	-	-	14,450	-	14,590
Lease liability	187	367	1,364	1,997	165	-	4,080
Other financial liabilities	-	-	-	-	-	11,091	11,091
<b>Total financial liabilities</b>	<b>87,112</b>	<b>41,661</b>	<b>192,736</b>	<b>183,043</b>	<b>186,841</b>	<b>314,408</b>	<b>1,005,801</b>
<b>Liquidity gap</b>	<b>(297)</b>	<b>57,942</b>	<b>94,041</b>	<b>180,312</b>	<b>(53,044)</b>	<b>(182,528)</b>	<b>96,426</b>
<b>December 31, 2023</b>							
<b>FINANCIAL ASSETS</b>							
Cash and cash equivalents	138,739	-	-	-	-	61,079	199,818
Due from banks and other financial institutions	3,003	4,692	6,023	4,315	-	32,892	50,925
Investment securities	3,091	9,901	56,150	29,658	-	642	99,442
Loans to customers	25,955	62,443	188,703	290,046	131,148	-	698,295
Other financial assets	-	-	-	-	-	49,953	49,953
<b>Total financial assets</b>	<b>170,788</b>	<b>77,036</b>	<b>250,876</b>	<b>324,019</b>	<b>131,148</b>	<b>144,566</b>	<b>1,098,433</b>
<b>FINANCIAL LIABILITIES</b>							
Amounts due to banks and other financial institutions	-	-	3,740	6,800	-	470	11,010
Amounts due to customers	19,921	25,602	298,894	59,185	4,714	359,618	767,934
Subordinated borrowings	112	-	5,950	-	-	-	6,062
Borrowed funds	516	47	5,236	61,278	135,604	-	202,681
Lease liability	206	412	1,847	1,594	278	-	4,337
Other financial liabilities	-	-	-	-	-	11,138	11,138
<b>Total financial liabilities</b>	<b>20,755</b>	<b>26,061</b>	<b>315,667</b>	<b>128,857</b>	<b>140,596</b>	<b>371,226</b>	<b>1,003,162</b>
<b>Liquidity gap</b>	<b>150,033</b>	<b>50,975</b>	<b>(64,791)</b>	<b>195,162</b>	<b>(9,448)</b>	<b>(226,660)</b>	<b>95,271</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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

#### *Average effective interest rates*

The table below displays average effective interest rates for interest-bearing assets and liabilities as at December 31, 2024 and 2023. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2024			2023		
	Average effective interest rate, %			Average effective interest rate, %		
	AZN	USD	EUR	AZN	USD	EUR
<b>Interest-bearing assets</b>						
Cash and cash equivalents	6.25%	-	-	6.92%	0.29%	-
Due from banks and other financial institutions	15.35%	6.73%	2.60%	10.35%	3.05%	4.54%
Investment securities	7.95%	4.57%	-	8.14%	4.47%	-
Loans to customers	13.18%	6.02%	6.32%	13.46%	5.18%	4.09%
<b>Interest-bearing liabilities</b>						
Amounts due to banks and other financial institutions	5.73%	1.48%	-	-	3.65%	-
Amounts due to customers	10.02%	3.01%	1.87%	9.34%	0.37%	1.51%
Borrowed funds	2.25%	-	-	2.52%	-	-
Debt securities issued	9.50%	-	-	-	-	-
Lease liability	7.25%	-	-	8.70%	-	-
Subordinated borrowings	-	7.29%	-	-	7.50%	-

#### *Interest rate sensitivity analysis*

The management of interest rate risk based on an interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at December 31, 2024 and 2023 is as follows:

	December 31, 2024	December 31, 2023
100 bp parallel fall	(964)	(961)
100 bp parallel rise	964	961

#### **Currency risk**

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. Although the Group hedges its exposure to currency risk, such activities do not qualify as hedging relationships in accordance with IFRS Accounting Standards.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

The following table shows the currency structure of financial assets and liabilities as at December 31, 2024:

	AZN	USD	EUR	Other currencies	Total
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	48,990	13,289	6,556	157	68,992
Due from banks and other financial institutions	32,391	26,869	886	-	60,146
Investment securities	50,940	64,280	-	-	115,220
Loans to customers	788,296	35,346	1,011	-	824,653
Other financial assets	23,945	8,790	182	299	33,216
<b>Total financial assets</b>	<b>944,562</b>	<b>148,574</b>	<b>8,635</b>	<b>456</b>	<b>1,102,227</b>
<b>Derivatives</b>	<b>11,904</b>	<b>5,100</b>	<b>-</b>	<b>-</b>	<b>17,004</b>
<b>FINANCIAL LIABILITIES</b>					
Amounts due to banks and other financial institutions	31,562	16,668	12	-	48,242
Amounts due to customers	553,787	118,658	8,664	361	681,470
Borrowed funds	237,709	-	-	-	237,709
Debt securities issued	8,619	-	-	-	8,619
Subordinated borrowings	-	14,590	-	-	14,590
Lease liability	4,080	-	-	-	4,080
Other financial liabilities	8,643	2,430	18	-	11,091
<b>Total financial liabilities</b>	<b>844,400</b>	<b>152,346</b>	<b>8,694</b>	<b>361</b>	<b>1,005,801</b>
<b>Derivatives</b>	<b>5,100</b>	<b>11,904</b>	<b>-</b>	<b>-</b>	<b>17,004</b>
<b>Net position</b>	<b>106,966</b>	<b>(10,576)</b>	<b>(59)</b>	<b>95</b>	<b>96,426</b>

The Group is not required to report for the regulatory currency position compliance purposes based on the above table, rather currency position based on prudential figures is reported to the regulator.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at December 31, 2023:

	AZN	USD	EUR	Other currencies	Total
<b>FINANCIAL ASSETS</b>					
Cash and cash equivalents	166,417	28,445	4,314	642	199,818
Due from banks and other financial institutions	29,342	16,856	4,727	-	50,925
Investment securities	42,024	57,418	-	-	99,442
Loans to customers	630,179	68,094	22	-	698,295
Other financial assets	40,478	8,790	160	525	49,953
<b>Total financial assets</b>	<b>908,440</b>	<b>179,603</b>	<b>9,223</b>	<b>1,167</b>	<b>1,098,433</b>
<b>FINANCIAL LIABILITIES</b>					
Amounts due to banks and other financial institutions	289	10,721	-	-	11,010
Amounts due to customers	599,339	158,687	9,156	752	767,934
Borrowed funds	202,681	-	-	-	202,681
Subordinated borrowings	-	6,062	-	-	6,062
Lease liability	4,337	-	-	-	4,337
Other financial liabilities	7,569	2,179	451	65	10,264
<b>Total financial liabilities</b>	<b>814,215</b>	<b>177,649</b>	<b>9,607</b>	<b>817</b>	<b>1,002,288</b>
<b>Net position</b>	<b>94,225</b>	<b>1,954</b>	<b>(384)</b>	<b>350</b>	<b>96,145</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

A weakening of the AZN, as indicated below, against the following currencies at December 31, 2024 and 2023, would have (decreased)/increased equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	December 31, 2024	December 31, 2023
30% appreciation of USD against AZN	(2,538)	469
30% appreciation of EUR against AZN	(14)	(92)

A strengthening of the AZN against the above currencies at December 31, 2024 and 2023 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### Credit risk

Credit risk is the risk of financial loss for the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has policies and procedures for the management of credit exposures (both for recognized financial assets and unrecognized contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of loan applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties, issuers and insurance companies;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer’s business and financial performance. The loan application and the report are then independently reviewed by the Risk Department and a second opinion is given accompanied by verification that credit policy requirements are met. The Credit Committee reviews the loan application on the basis of submissions by the Loan Department and the Risk Department. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer’s most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. Retail loan credit applications are reviewed by the Retail Lending Department through the use of scoring models and application data verification procedures developed together with the Risk Department.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognized contractual commitment amounts. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	December 31, 2024	December 31, 2023
<b>ASSETS</b>		
Cash and cash equivalents (excluding cash on hand)	32,268	160,395
Due from banks and other financial institutions	60,146	50,925
Investment securities (excluding equity securities)	114,614	99,040
Loans to customers	824,653	698,295
Other financial assets	33,216	49,953
<b>Total maximum exposure</b>	<b><u>1,064,897</u></b>	<b><u>1,058,608</u></b>

For the analysis of collateral held against loans to customers and concentration of credit risk in respect of loans to customers refer to Note 13.

The maximum exposure to credit risk from unrecognized contractual commitments at the reporting date is presented in Note 25.

#### **Credit risk - Amounts arising from ECL**

#### **Inputs, assumptions and techniques used for estimating impairment**

See accounting policy in Note 3.

#### ***Significant increase in credit risk***

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and expert credit assessment and including forward-looking information.

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).
- the Group uses three criteria for determining whether there has been a significant increase in credit risk:
  - quantitative test based on movement in probability of default (PD);
  - qualitative indicators;
  - backstop of 30 days past due.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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#### *Credit risk grades*

The Group allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

#### *Generating the term structure of PD*

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

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

#### *Determining whether credit risk has increased significantly*

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

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

- For all borrowers when contractual payments are more than 30 days past due.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group’s credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watch list. Such qualitative factors are based on its expert judgement and relevant historical experience and are disclosed below:

- For collectively assessed consumer and mortgage loans: If the Group becomes aware of a significant decline in any particular industry and anticipates the closure of businesses or significant lay-offs within that industry.

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

- All scheduled payments on the loan are made in time or overdue less than 30 days.
- For all loans previously classified as Stage 2 based on any information other than past due status and for which there is evidence that there is no longer a significant increase in credit risk.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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Probation criteria for recovery and transfer of financial instruments to Stage 2 are as follows:

- Cure period of 6 months had passed since the loan had been classified as Stage 3, i.e. no restructuring or overdue more than 90 days occurred during 6 months preceding reporting date (Stage 3 to Stage 2).

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL (Stage 1) and lifetime ECL measurements (Stage 2).

#### *Definition of default*

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is past due more than 90 days on any material credit obligation to the Group. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.
- In assessing whether a borrower is in default, the Group considers indicators that are:
  - qualitative – e.g. breaches of covenant;
  - quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
  - based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

#### *Incorporation of forward-looking information*

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

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

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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

The economic scenarios used as at December 31, 2024 included the following key indicators for the Republic of Azerbaijan for the years ending December 31, 2025 through 2026.

Key drivers	2024	2025	2026
Real GDP growth	4.1%	3.5%	2.5%
Oil Price (Brent)	73.2	66.5	58.4
Consumer price index	4.9%	5.5%	3.8%

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 14 years.

When building a macroeconomic model, the Bank uses external statistics on defaults (NPL), as there is no sufficient internal statistics on defaults.

#### *Modified financial assets*

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in Note 3.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects a comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as ‘forbearance activities’) to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and interest rate. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that exposure is credit-impaired (see Note 3). A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to a 12-month ECL.

#### *Measurement of ECL*

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

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

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

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

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral (for certain types of portfolio), seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property (for certain types of portfolio), LTV ratios are a key parameter in determining LGD. They are calculated on a discounted cash flow basis using first available contractual rate as the discounting factor, as it is considered as the best proxy of effective interest rate at origination.

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

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

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of instrument type.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows.

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

#### December 31, 2024

	Exposure	External benchmarks used	
		PD	LGD
Cash and cash equivalents (excluding cash on hand)	32,268	Moody’s default study	S&P recovery studies
Due from banks and other financial institutions	60,146	Moody’s default study	S&P recovery studies
Investment securities	114,614	Moody’s default study	S&P recovery studies

#### December 31, 2023

	Exposure	External benchmarks used	
		PD	LGD
Cash and cash equivalents (excluding cash on hand)	160,395	Moody’s default study	S&P recovery studies
Due from banks and other financial institutions	50,925	Moody’s default study	S&P recovery studies
Investment securities	99,450	Moody’s default study	S&P recovery studies

#### Offsetting financial assets and financial liabilities

The disclosure set out in the table below includes financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

#### December 31, 2024

Types of financial assets/liabilities	Gross amounts of recognized financial asset/liability	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
			Financial instruments	Cash collateral received	
Loans to customers	31,948	31,948	-	31,948	-
<b>Total financial assets</b>	<b>31,948</b>	<b>31,948</b>	<b>-</b>	<b>31,948</b>	<b>-</b>
Amounts due to customers	31,948	31,948	31,948	-	-
<b>Total financial liabilities</b>	<b>31,948</b>	<b>31,948</b>	<b>31,948</b>	<b>-</b>	<b>-</b>

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

December 31, 2023

Types of financial assets/liabilities	Gross amounts of recognized financial asset/liability	Net amount of financial assets/liabilities presented in the consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net amount
			Financial instruments	Cash collateral received	
Loans to customers	52,441	52,441	-	52,441	-
<b>Total financial assets</b>	<b>52,441</b>	<b>52,441</b>	<b>-</b>	<b>52,441</b>	<b>-</b>
Amounts due to customers	52,441	52,441	52,441	-	-
<b>Total financial liabilities</b>	<b>52,441</b>	<b>52,441</b>	<b>52,441</b>	<b>-</b>	<b>-</b>

#### Liquidity risk

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

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

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

The liquidity management policy requires:

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

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

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or credit related commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The maturity analysis for financial liabilities as at December 31, 2024 is as follows:

	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total gross amount outflow</b>	<b>Carrying amount</b>
<b>Non-derivative liabilities</b>							
Amounts due to banks and other financial institutions	32,347	1,031	289	2,189	18,443	54,299	48,242
Amounts due to customers	376,774	43,340	210,271	117,990	5,891	754,266	681,470
Borrowed funds	486	1,041	10,977	89,534	195,475	297,513	237,709
Debt securities issued	-	115	-	10,350	-	10,465	8,619
Subordinated borrowings	147	-	-	-	18,442	18,589	14,590
Lease liability	188	373	1,436	2,453	285	4,735	4,080
Other financial liabilities	11,091	-	-	-	-	11,091	11,091
<b>Total financial liabilities</b>	<b>421,033</b>	<b>45,900</b>	<b>222,973</b>	<b>222,516</b>	<b>238,536</b>	<b>1,150,958</b>	<b>1,008,801</b>
<b>Credit related commitments</b>	<b>179,908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>179,908</b>	<b>179,908</b>

The maturity analysis for financial liabilities as at December 31, 2023 is as follows:

	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>Total gross amount outflow</b>	<b>Carrying amount</b>
<b>Non-derivative liabilities</b>							
Amounts due to banks and other financial institutions	502	64	3,972	6,866	-	11,404	11,010
Amounts due to customers	386,316	30,752	312,191	64,513	5,593	799,365	767,934
Borrowed funds	1,226	987	6,985	73,191	169,136	251,525	202,681
Subordinated borrowings	149	74	5,962	-	-	6,185	6,062
Lease liability	181	347	1,352	3,073	65	5,018	4,337
Other financial liabilities	10,264	-	-	-	-	10,264	10,264
<b>Total financial liabilities</b>	<b>398,638</b>	<b>32,224</b>	<b>330,462</b>	<b>147,643</b>	<b>174,794</b>	<b>1,083,761</b>	<b>1,002,288</b>
<b>Credit related commitments</b>	<b>217,186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>217,186</b>	<b>217,186</b>

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

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

The table below shows an analysis, by contractual maturities, of the amounts recognized in the statement of financial position as at December 31, 2024:

	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>No maturity</b>	<b>Overdue</b>	<b>Total</b>
Cash and cash equivalents	68,992	-	-	-	-	-	-	68,992
Due from banks and other financial institutions	97	-	883	11,600	8,500	39,066	-	60,146
Investment securities	8,983	39,148	35,365	31,118	-	606	-	115,220
Loans to customers	43,868	60,455	250,529	320,637	125,297	-	23,867	824,653
Other financial assets	-	-	-	-	-	33,216	-	33,216
<b>Total financial assets</b>	<b>121,940</b>	<b>99,603</b>	<b>286,777</b>	<b>363,355</b>	<b>133,797</b>	<b>72,888</b>	<b>23,867</b>	<b>1,102,227</b>
Amounts due to banks and other financial institutions	30,807	935	250	1,800	14,450	-	-	48,242
Amounts due to customers	358,832	39,311	181,640	97,071	4,616	-	-	681,470
Borrowed funds	463	944	9,482	73,660	153,160	-	-	237,709
Debt securities issued	-	104	-	8,515	-	-	-	8,619
Subordinated borrowings	140	-	-	-	14,450	-	-	14,590
Lease liability	187	367	1,364	1,997	165	-	-	4,080
Other financial liabilities	-	-	-	-	-	11,091	-	11,091
<b>Total financial liabilities</b>	<b>390,429</b>	<b>41,661</b>	<b>192,736</b>	<b>183,043</b>	<b>186,841</b>	<b>11,091</b>	<b>-</b>	<b>1,005,801</b>
<b>Net position</b>	<b>(268,489)</b>	<b>57,942</b>	<b>94,041</b>	<b>180,312</b>	<b>(53,044)</b>	<b>61,797</b>	<b>23,867</b>	<b>96,426</b>
<b>Cumulative liquidity gap</b>	<b>(268,489)</b>	<b>(210,547)</b>	<b>(116,506)</b>	<b>63,806</b>	<b>10,762</b>	<b>72,559</b>	<b>96,426</b>	

The table below shows an analysis, by contractual maturities, of the amounts recognized in the statement of financial position as at December 31, 2023:

	<b>Demand and less than 1 month</b>	<b>From 1 to 3 months</b>	<b>From 3 to 12 months</b>	<b>From 1 to 5 years</b>	<b>More than 5 years</b>	<b>No maturity</b>	<b>Overdue</b>	<b>Total</b>
Cash and cash equivalents	199,818	-	-	-	-	-	-	199,818
Due from banks and other financial institutions	35,825	4,727	6,048	4,325	-	-	-	50,925
Investment securities	3,091	9,901	56,150	29,898	-	402	-	99,442
Loans to customers	25,955	62,443	188,703	290,046	106,419	-	24,729	698,295
Other financial assets	-	-	-	-	-	49,953	-	49,953
<b>Total financial assets</b>	<b>264,689</b>	<b>77,071</b>	<b>250,901</b>	<b>324,269</b>	<b>106,419</b>	<b>50,355</b>	<b>24,729</b>	<b>1,098,433</b>
Amounts due to banks and other financial institutions	-	-	3,740	6,800	-	470	-	11,010
Amounts due to customers	379,539	25,602	298,894	59,185	4,714	-	-	767,934
Borrowed funds	516	47	5,236	61,278	135,604	-	-	202,681
Subordinated borrowings	112	-	-	5,950	-	-	-	6,062
Lease liability	149	292	1,160	2,674	62	-	-	4,337
Other financial liabilities	-	-	-	-	-	10,264	-	10,264
<b>Total financial liabilities</b>	<b>380,316</b>	<b>25,941</b>	<b>309,030</b>	<b>135,887</b>	<b>140,380</b>	<b>10,734</b>	<b>-</b>	<b>1,002,288</b>
<b>Net position</b>	<b>(115,627)</b>	<b>51,130</b>	<b>(58,129)</b>	<b>188,382</b>	<b>(33,961)</b>	<b>39,621</b>	<b>24,729</b>	<b>96,145</b>
<b>Cumulative liquidity gap</b>	<b>(115,627)</b>	<b>(64,497)</b>	<b>(122,626)</b>	<b>65,756</b>	<b>31,795</b>	<b>71,416</b>	<b>96,145</b>	

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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The key measure used by the Group for managing liquidity risk is the liquidity ratio stipulated by the CBAR. The Group calculates this mandatory liquidity ratio on a daily basis in accordance with the requirement of the CBAR. This ratio is represented by the instant liquidity ratio, which is calculated as the ratio of highly liquid assets to liabilities payable on demand.

The Group was in compliance with this ratio as at December 31, 2024 and 2023. The following table shows the mandatory liquidity ratio calculated as at December 31, 2024 and 2023.

	<b>Requirement</b>	<b>2024, % (unaudited)</b>	<b>2023, % (unaudited)</b>
<b>Instant liquidity ratio</b>	Not less than 30%	46.48%	81.04%

#### **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group’s processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group’s operations.

The Group’s objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group’s reputation with overall cost-effectiveness and innovation. In all cases, the Group policy requires compliance with all applicable legal and regulatory requirements. The Group manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

## **26. CAPITAL MANAGEMENT**

The CBAR sets and monitors capital requirements for the Group.

Under the current capital requirements set by the CBAR, groups have to: (i) hold a minimum level of total statutory capital of AZN 50,000 thousand (December 31, 2023: AZN 50,000 thousand) and (ii) maintain a ratio of total statutory capital to risk-weighted assets (statutory capital ratio) at or above a prescribed minimum of 10% (December 31, 2023: 10%).

The Group provides the CBAR with information on mandatory ratios in accordance with a set form. The Risk Department controls on daily basis compliance with capital adequacy ratios. In case values of capital adequacy ratios become close to set limits set by the CBAR and Group’s internal policy this information is communicated to the Supervisory Board.

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

As at December 31, 2024 and 2023, the Group was in compliance with the requirements for minimum total statutory capital amount and ratio to risk-weighted assets. The calculation of capital adequacy based on requirements set by the CBAR was as follows:

	<b>December 31, 2024 (unaudited)</b>	<b>December 31, 2023 (unaudited)</b>
Total regulatory capital	132,138	111,229
Risk-weighted assets	1,057,758	952,149
<b>Capital adequacy ratio (%)</b>	<b>12.49%</b>	<b>11.68%</b>

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord:

	<b>December 31, 2024</b>	<b>December 31, 2023</b>
<b>Tier 1 capital</b>		
Share capital	102,047	102,047
(Accumulated deficit)/retained earnings	(1,286)	(1,477)
<b>Total Tier 1 capital</b>	<b>100,761</b>	<b>100,570</b>
<b>Tier 2 capital</b>		
Revaluation reserve – buildings	2,136	2,228
Subordinated borrowings (unamortized part)	14,450	1,190
<b>Total Tier 2 capital</b>	<b>16,586</b>	<b>3,418</b>
Less: Investments	(402)	(402)
<b>Total capital</b>	<b>116,945</b>	<b>103,586</b>
<b>Risk-weighted assets</b>		
On-balance sheet	831,525	664,480
Off-balance sheet	179,908	217,186
<b>Total risk weighted assets</b>	<b>1,011,433</b>	<b>881,666</b>
<b>Tier 1 capital ratio</b>	<b>11.56%</b>	<b>11.75%</b>
<b>Total capital ratio</b>	<b>9.96%</b>	<b>11.41%</b>

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognized contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

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#### 27. CREDIT-RELATED COMMITMENTS

The Group has outstanding credit-related commitments to extend loans. These credit-related commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

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

	December 31, 2024	December 31, 2023
<b>Contracted amount</b>		
Guarantees	156,129	186,073
Undrawn credit lines	23,779	31,113
	<u>179,908</u>	<u>217,186</u>

All guarantees' balances are in Stage 1 (December 31, 2023: Stage 1). All balances of undrawn credit lines are in Stage 1 as at December 31, 2024 and 2023.

The total outstanding contractual credit-related commitments above do not necessarily represent future cash requirements, as these credit-related commitments may expire or terminate without being funded. The majority of loan and credit line commitments do not represent an unconditional credit-related commitment by the Group.

During the year ended December 31, 2024, the guarantees in the amount of AZN 11,273 thousand were exercised and converted to loan (December 31, 2023: nil).

The Group recognized provision for guarantees in the amount of AZN 5,621 thousand as at December 31, 2024 (December 31, 2023: AZN 4,526).

#### 28. CONTINGENCIES

##### Insurance

The insurance industry in the Republic of Azerbaijan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third-party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

##### Litigation

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

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

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### Taxation contingencies

The taxation system in the Republic of Azerbaijan continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretations by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Republic of Azerbaijan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Republic of Azerbaijan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Azerbaijani tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

The Group believes that accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

## 29. RELATED PARTY TRANSACTIONS

### Control relationships

As at December 31, 2024 and 2023, the Group had no ultimate controlling party.

### Transactions with the members of the Supervisory Board and the Management Board

Total remuneration included in personnel expenses for the years ended December 31, 2024 and 2023 is as follows:

	December 31, 2024	December 31, 2023
Short-term employee benefits	2,969	2,182
<b>Total short-term employee benefits</b>	<b>2,969</b>	<b>2,182</b>

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

The outstanding balances and average effective interest rates as at December 31, 2024 and 2023 for transactions with the members of the Supervisory Board and the Management Board are as follows:

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	December 31, 2024	Average effective interest rate	December 31, 2023	Average effective interest rate
<b>Consolidated statement of financial position</b>				
Loans outstanding (gross)	517	16.41%	652	18.59%
Charge of expected credit losses on loans to customers	(18)	-	(23)	-
Current accounts	1,380	-	330	-
Deposits received	2,639	5.56%	2,669	5.7%

Amounts included in profit or loss in relation to transactions with the members of the Supervisory Board and the Management Board for the years ended December 31, 2024 and 2023 are as follows:

	December 31, 2024	December 31, 2023
<b>Profit or loss</b>		
Interest income	37	50
Interest expense	(194)	(120)
Charge of expected credit losses	(18)	(21)

The outstanding balances and the related average effective interest rates as at December 31, 2024 and related profit or loss amounts of transactions for the year ended December 31, 2024 with other related parties are as follows:

	Shareholders and close family members and entities under control		Others*		Total
	Average interest rate, %		Average interest rate, %		
<b>Consolidated statement of financial position</b>					
<b>ASSETS</b>					
Loans to customers					
Gross outstanding balance of long-term loans in AZN	584	17.23%	3,537	18.59%	4,121
Gross outstanding balance of long-term loans in USD	1,041	-	308	-	1,349
Allowance for expected credit losses	-	-	(14)	-	(14)
<b>LIABILITIES</b>					
Amounts due to customers					
Current accounts	19,341	-	1,347	-	20,688
Term deposits					
Short-term deposits in AZN	72,450	9.41%	1,444	9.13%	73,894
Short-term deposits in USD	2,037	1.04%	677	-	2,714
Long-term deposits in AZN	4,315	9.25%	1,103	-	5,418
Long-term deposits in USD	2,748	0.49%	3,194	0.57%	5,942
Subordinated borrowings in USD	6,019	7.29%	-	-	6,019
<b>Profit or loss</b>					
Interest income	155	-	128	-	283
Interest expense	(6,971)	-	(299)	-	(7,270)

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

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

	Shareholders and close family members and entities under control		Others*	Average interest rate, %	Total
	Average interest rate, %	Average interest rate, %			
<b>Consolidated statement of financial position</b>					
<b>ASSETS</b>					
Loans to customers					
Gross outstanding balance of long-term loans in AZN	12	18.13%	2,717	18.59%	2,729
Gross outstanding balance of long-term loans in USD	-	-	337	-	337
Allowance for expected credit losses	-	-	(23)	-	(13)
<b>LIABILITIES</b>					
Amounts due to customers					
Current accounts	1,304	-	1,195	-	2,499
Term deposits					
Short-term deposits in AZN	15,392	10.05%	845	9.13%	16,237
Short-term deposits in USD	1,887	1.05%	711	-	2,598
Long-term deposits in AZN	3,142	9.75%	539	-	3,681
Long-term deposits in USD	8,502	0.37%	216	0.57%	8,718
Subordinated borrowings in USD	6,062	7.50%	-	-	6,062
<b>Profit or loss</b>					
Interest income	2	-	186	-	188
Interest expense	(1,137)	-	(114)	-	(1,251)

### 30. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS

#### Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at December 31, 2024:

	Amortized cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	68,992	-	68,992	68,992
Due from banks and other financial institutions	60,146	-	60,146	60,146
Investment securities	114,614	606	115,220	114,979
Loans to customers	824,653	-	824,653	824,653
Other financial assets	33,216	-	33,216	33,216
	<b>1,101,621</b>	<b>606</b>	<b>1,102,227</b>	<b>1,101,986</b>
Amounts due to banks and other financial institutions	48,242	-	48,242	48,242
Amounts due to customers	681,470	-	681,470	681,470
Borrowed funds	237,709	-	237,709	237,709
Debt securities issued	8,619	-	8,619	8,619
Subordinated borrowings	14,590	-	14,590	14,590
Other financial liabilities	11,091	-	11,091	11,091
	<b>1,001,721</b>	<b>-</b>	<b>1,001,721</b>	<b>1,001,721</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	Amortized cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	68,992	-	68,992	68,992
Due from banks and other financial institutions	60,146	-	60,146	60,146
Investment securities	114,614	606	115,220	114,979
Loans to customers	824,653	-	824,653	824,653
Other financial assets	33,216	-	33,216	33,216
	<b>1,101,621</b>	<b>606</b>	<b>1,102,227</b>	<b>1,101,986</b>
Amounts due to banks and other financial institutions	48,242	-	48,242	48,242
Amounts due to customers	681,470	-	681,470	681,470
Borrowed funds	237,709	-	237,709	237,709
Debt securities issued	8,619	-	8,619	8,619
Subordinated borrowings	14,590	-	14,590	14,590
Other financial liabilities	11,091	-	11,091	11,091
	<b>1,001,721</b>	<b>-</b>	<b>1,001,721</b>	<b>1,001,721</b>

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at December 31, 2023:

	Amortized cost	FVOCI	Total carrying amount	Fair value
Cash and cash equivalents	199,818	-	199,818	199,818
Due from banks and other financial institutions	50,925	-	50,925	50,925
Investment securities	98,800	642	99,442	98,129
Loans to customers	698,295	-	698,295	698,295
Other financial assets	49,953	-	49,953	49,953
	<b>1,097,791</b>	<b>642</b>	<b>1,098,433</b>	<b>1,098,433</b>
Amounts due to banks and other financial institutions	11,010	-	11,010	11,010
Amounts due to customers	767,934	-	767,934	767,934
Borrowed funds	202,681	-	202,681	202,681
Subordinated borrowings	6,062	-	6,062	6,062
Other financial liabilities	10,264	-	10,264	10,264
	<b>997,951</b>	<b>-</b>	<b>997,951</b>	<b>997,951</b>

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

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

# “RABITABANK” OPEN JOINT-STOCK COMPANY

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

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

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

### Fair value hierarchy

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

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

The table below analyses financial instruments measured at fair value at December 31, 2024 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognized in the statement of financial position:

	Level 3	Total
Investment securities – equity	606	606
	<b>606</b>	<b>606</b>

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

	Level 3	Total
Investment securities – equity	642	642
	<b>642</b>	<b>642</b>

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized as at December 31, 2024:

## “RABITABANK” OPEN JOINT-STOCK COMPANY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)

(In thousands of AZN, unless otherwise indicated)

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<b>ASSETS</b>					
Cash and cash equivalents	68,992	-	-	68,992	68,992
Due from banks and other financial institutions	-	60,146	-	60,146	60,146
Investment securities	-	114,614	606	115,220	114,979
Loans to customers	-	-	824,653	824,653	824,653
Other financial assets	-	33,216	-	33,216	33,216
	<u>68,992</u>	<u>207,976</u>	<u>825,259</u>	<u>1,102,227</u>	<u>1,101,986</u>

	Level 2	Total fair values	Total carrying amount
<b>LIABILITIES</b>			
Amounts due to banks and other financial institutions	48,242	48,242	48,242
Amounts due to customers	681,470	681,470	681,470
Borrowed funds	237,709	237,709	237,709
Debt securities issued	8,619	8,619	8,619
Subordinated borrowings	14,590	14,590	14,590
Other financial liabilities	11,091	11,091	11,091
	<u>1,001,721</u>	<u>1,001,721</u>	<u>1,001,721</u>

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

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
<b>ASSETS</b>					
Cash and cash equivalents	199,818	-	-	199,818	199,818
Due from banks and other financial institutions	-	50,925	-	50,925	50,925
Investment securities	-	97,487	642	99,442	98,129
Loans to customers	-	-	698,295	698,295	698,295
Other financial assets	-	49,953	-	49,953	49,953
	<u>199,818</u>	<u>198,365</u>	<u>698,937</u>	<u>1,098,433</u>	<u>1,097,120</u>

	Level 2	Total fair values	Total carrying amount
<b>LIABILITIES</b>			
Deposits and balances from banks	11,010	11,010	11,010
Amounts due to customers	767,934	767,934	767,934
Borrowed funds	202,681	202,681	202,681
Subordinated borrowings	6,062	6,062	6,062
Other financial liabilities	10,264	10,264	10,264
	<u>997,951</u>	<u>997,951</u>	<u>997,951</u>

## **“RABITABANK” OPEN JOINT-STOCK COMPANY**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024 (Continued)**

*(In thousands of AZN, unless otherwise indicated)*

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#### **31. EVENTS AFTER THE REPORTING DATE**

On January 7, 2025, the CBAR implemented a new prudential framework allowing banks to lend to individuals and private entrepreneurs based on behavioural income forecasts. The regulation includes requirements for model development, validation, and reporting, along with stricter classification and capital requirements. Lending under this framework is capped at 10% of a Bank’s loan portfolio and must be suspended if delinquency on such loans exceeds 10%.

On January 28, 2025, the CBAR approved new rules for managing operational risk, effective from March 12, 2025. Banks must maintain an operational risk database, report significant incidents promptly, conduct annual employee training, and test their business continuity plans, reporting results to their Supervisory Boards.

Subsequent to the reporting date, the Group declared and paid dividends in the amount of AZN 9,000 thousand and AZN 4,500 thousand, respectively.