

OJSC International Bank of Azerbaijan
Interim condensed consolidated financial statements
30 June 2023

Contents

Report on review of interim financial information

Interim condensed consolidated financial statements

| | |
|---|---|
| Interim condensed consolidated statement of financial position | 1 |
| Interim condensed consolidated statement of profit or loss and other comprehensive income | 2 |
| Interim condensed consolidated statement of changes in equity..... | 3 |
| Interim condensed consolidated statement of cash flows | 4 |

Selected explanatory notes to the interim condensed consolidated financial statements

| | |
|---|----|
| 1. Principal activities | 5 |
| 2. Basis of preparation..... | 6 |
| 3. Segment information | 7 |
| 4. Cash and cash equivalents | 9 |
| 5. Due from banks and other financial institutions | 10 |
| 6. Investment securities..... | 10 |
| 7. Loans to customers | 11 |
| 8. Other assets and liabilities..... | 14 |
| 9. Due to banks and other financial institutions | 14 |
| 10. Customer accounts..... | 15 |
| 11. Other borrowed funds..... | 15 |
| 12. Debt securities issued | 15 |
| 13. Taxation..... | 16 |
| 14. Equity | 16 |
| 15. Balances with CJSC "Agrarkredit" | 16 |
| 16. Commitments and contingencies..... | 17 |
| 17. Credit loss expense and other impairment and provisions | 20 |
| 18. Net fee and commission income..... | 22 |
| 19. Operating expenses | 22 |
| 20. Fair values of financial instruments | 22 |
| 21. Related party disclosures | 23 |
| 22. Capital adequacy..... | 26 |
| 23. Events after the end of the interim period..... | 26 |



Ernst & Young Holdings (CIS) B.V.
Port Baku Towers Business Centre
South Tower, 9th floor,
153, Neftchilar Ave.
Baku, AZ1010, Azerbaijan
Tel: +994 (12) 490 70 20
Fax: +994 (12) 490 70 17
www.ey.com/az

Ernst & Yanq Holdings (SiAyEs) Bi.Vi.
Port Baku Towers Biznes Mərkəzi
Cənub Qülləsi, 9-cu mərtəbə
Neftçilər prospekti, 153
Bakı, AZ1010, Azərbaycan
Tel: +994 (12) 490 70 20
Faks: +994 (12) 490 70 17

Report on Review of Interim Financial Information

To the Shareholders and Supervisory Board of
OJSC International Bank of Azerbaijan

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC International Bank of Azerbaijan and its subsidiaries (the "Group"), which comprise the interim consolidated statement of financial position as at 30 June 2023 and the related interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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

Ernst & Young Holdings (CIS) B.V.

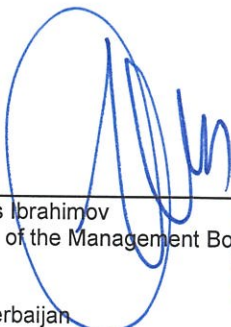
25 September 2023

Baku, Azerbaijan

Interim condensed consolidated statement of financial position**As at 30 June 2023***(Figures in tables are in thousands of Azerbaijani manats)*

| | Notes | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-------|-----------------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | 4 | 2,992,422 | 5,375,211 |
| Mandatory cash balances with the Central banks | 5 | 814,493 | 470,293 |
| Due from banks and other financial institutions | 5 | 1,843,686 | 1,488,178 |
| Investment securities | 6 | 2,054,412 | 2,727,517 |
| Loans to customers | 7 | 4,037,240 | 3,401,058 |
| Receivables from CJSC "Agrarkredit" | 15 | 289,247 | 382,974 |
| Current income tax assets | | 5,315 | 6,415 |
| Deferred income tax assets | | 5,236 | 3,393 |
| Property, equipment and intangible assets | | 219,542 | 225,482 |
| Other assets | 8 | 140,874 | 97,098 |
| Total assets | | 12,402,467 | 14,177,619 |
| Liabilities | | | |
| Due to banks and other financial institutions | 9 | 388,163 | 82,001 |
| Customer accounts | 10 | 9,124,445 | 11,252,021 |
| Payables to CJSC "Agrarkredit" | 15 | 62,632 | 63,030 |
| Other borrowed funds | 11 | 167,269 | 229,025 |
| Debt securities issued | 12 | 495,191 | 504,403 |
| Current income tax liabilities | | 8,813 | 52,325 |
| Deferred income tax liabilities | | 36,917 | 37,794 |
| Other liabilities | 8 | 147,957 | 136,657 |
| Total liabilities | | 10,431,387 | 12,357,256 |
| Equity | | | |
| Share capital | 14 | 1,225,648 | 1,225,648 |
| Foreign currency translation reserve | | (57,482) | (37,412) |
| Revaluation reserve for premises | | 41,891 | 42,719 |
| Unrealized gain on investment securities | | 33,230 | 24,819 |
| Retained Earnings and other reserves | | 727,793 | 564,589 |
| Total equity | | 1,971,080 | 1,820,363 |
| Total liabilities and equity | | 12,402,467 | 14,177,619 |

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



Mr. Abbas Ibrahimov
Chairman of the Management Board

Baku, Azerbaijan

25 September 2023




Mr. Nabi Aliyev
Deputy Chairman of the Management Board, CFO

The accompanying selected explanatory notes on pages 5 to 26 are an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2023

(Figures in tables are in thousands of Azerbaijani manats)

| | | <i>For the six months ended 30 June (unaudited)</i> | <i>For the six months ended 30 June (unaudited)</i> |
|--|--------------|---|---|
| | <i>Notes</i> | <i>2023</i> | <i>2022</i> |
| Interest income calculated using the effective interest rate | | | |
| Loans to customers | | 215,625 | 181,244 |
| Cash and cash equivalents | | 66,211 | 8,149 |
| Investment securities | | 49,606 | 24,187 |
| Due from banks and other financial institutions | | 33,192 | 38,117 |
| Receivables from CJSC "Agrarkredit" | | 6,841 | 8,231 |
| | | 371,475 | 259,928 |
| Interest expense | | | |
| Customer accounts | | (49,312) | (20,647) |
| Debt securities issued | | (15,938) | (21,171) |
| Other borrowed funds | | (5,293) | (3,531) |
| Due to banks and other financial institutions | | (1,067) | (263) |
| Lease liabilities | | (639) | (1,094) |
| | | (72,249) | (46,706) |
| Net interest income/(expense) | | 299,226 | 213,222 |
| Credit loss (expense)/reversal | 17 | (15,675) | (5,293) |
| Net interest income after impairment losses for interest bearing assets | | 283,551 | 207,929 |
| Fee and commission income | 18 | 64,884 | 55,514 |
| Fee and commission expense | 18 | (32,429) | (22,790) |
| Net loss arising on initial recognition of financial instruments and loan modification | | (234) | (438) |
| Net gains/(losses) from operations in foreign currencies: | | | |
| - Dealing | | 40,734 | 52,140 |
| - Translation differences | | (4,240) | 638 |
| - Operations with securities | | - | 946 |
| Reversal of impairment/(impairment) of property, equipment and intangible assets | | - | (207) |
| Provision (charge)/reversal for credit losses on credit-related commitments and other financial assets | 17 | 986 | 719 |
| Other impairment reversal | 17 | (143) | 1,081 |
| Operating expenses | 19 | (149,579) | (120,141) |
| Loss (gain) on repurchase of debt | 12 | (199) | (9,716) |
| Other operating income | | 1,361 | 1,462 |
| Non-interest income | | (78,859) | (40,792) |
| Profit before income tax expense | | 204,692 | 167,137 |
| Income tax expense | 13 | (41,488) | (37,790) |
| Profit for the period | | 163,204 | 129,347 |
| Other comprehensive income | | | |
| <i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i> | | | |
| Unrealized (loss)/gain on debt securities at FVOCI | | (580) | (105,854) |
| Exchange differences on translating foreign operations | | (20,070) | 70,348 |
| Income tax relating to components of other comprehensive income to be reclassified to profit or loss in subsequent periods | | 116 | 21,171 |
| Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods | | (20,534) | (14,335) |
| <i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i> | | | |
| Unrealized gain/(loss) on equity securities | | 11,094 | (8,387) |
| Change in revaluation reserve for premises | | (1,035) | - |
| Income tax relating to components of other comprehensive income not to be reclassified to profit or loss in subsequent periods | | (2,012) | 1,677 |
| Total other comprehensive income not to be reclassified to profit or loss in subsequent periods | | 8,047 | (6,710) |
| Total comprehensive income for the period | | 150,717 | 108,302 |
| Earnings per share, basic and diluted (AZN per share) | 14 | 0.04 | 0.03 |

The accompanying selected explanatory notes on pages 5 to 26 are an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in equity**For the six months ended 30 June 2023***(Figures in tables are in thousands of Azerbaijani manats)*

| | Share capital | Foreign currency translation reserve | Revaluation reserve on premises | Unrealized gain/loss on investment securities | Retained earnings and other reserves | Total equity |
|---|----------------------|---|--|--|---|---------------------|
| As at 1 January 2022 | 1,241,287 | (36,175) | 42,616 | 74,670 | 380,293 | 1,702,691 |
| Net profit for the period | - | - | - | - | 129,347 | 129,347 |
| Other comprehensive income/(loss) for the period | - | 70,348 | - | (91,393) | - | (21,045) |
| Total comprehensive income for the period | - | 70,348 | - | (91,393) | 129,347 | 108,302 |
| Dividends declared to shareholders | - | - | - | - | (125,000) | (125,000) |
| Liquidation of shares and related accrued dividends | (15,639) | - | - | - | 15,639 | - |
| As at 30 June 2022 (unaudited) | 1,225,648 | 34,173 | 42,616 | (16,723) | 400,279 | 1,685,993 |
| As at 1 January 2023 | 1,225,648 | (37,412) | 42,719 | 24,819 | 564,589 | 1,820,363 |
| Net profit for the period | - | - | - | - | 163,204 | 163,204 |
| Other comprehensive (loss)/income for the period | - | (20,070) | (828) | 8,411 | - | (12,487) |
| Total comprehensive income/(loss) for the period | - | (20,070) | (828) | 8,411 | 163,204 | 150,717 |
| Dividends declared to shareholders | - | - | - | - | - | - |
| As at 30 June 2023 (unaudited) | 1,225,648 | (57,482) | 41,891 | 33,230 | 727,793 | 1,971,080 |

The accompanying selected explanatory notes on pages 5 to 26 are an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows*(Figures in tables are in thousands of Azerbaijani manats)*

| | Notes | For the six months ended 30 June (unaudited) | For the six months ended 30 June (unaudited) |
|--|-------|--|--|
| | | 2023 | 2022 |
| Cash flows from operating activities | | | |
| Interest received | | 346,121 | 217,058 |
| Interest paid | | (54,644) | (33,217) |
| Dividends received | | 327 | - |
| Fees and commissions received | | 65,579 | 56,196 |
| Fees and commissions paid | | (30,138) | (19,742) |
| Gains from operations in foreign currencies | | 40,734 | 52,704 |
| Staff costs paid | | (94,489) | (73,736) |
| Other operating expenses paid | | (34,169) | (29,373) |
| Other operating income received | | 270 | 565 |
| Cash flows from operating activities before changes in operating assets and liabilities | | 239,591 | 170,455 |
| <i>Net (increase)/decrease in operating assets</i> | | | |
| Mandatory cash balances with Central Banks | | (344,200) | (14,036) |
| Due from banks and other financial institutions | | (332,324) | (2,085,358) |
| Loans to customers | | (657,986) | (370,854) |
| Receivable from CJSC "AgrarKredit" | | 85,899 | 92,394 |
| Other assets | | (6,244) | 971 |
| <i>Net (decrease)/increase in operating liabilities</i> | | | |
| Due to banks and other financial institutions | | 300,704 | 213,305 |
| Customer accounts | | (2,172,508) | 564,316 |
| Other liabilities | | 1,788 | (1,995) |
| Net cash flows used in operating activities before income tax | | (2,885,280) | (1,430,802) |
| Income tax paid | | (89,359) | (40,220) |
| Net cash used in operating activities | | (2,974,639) | (1,471,022) |
| Cash flows from investing activities | | | |
| Purchase of investment securities | | (801,323) | (666,605) |
| Proceeds from sale and redemption of investment securities | | 1,498,056 | 509,090 |
| Purchase and prepayments for property, equipment and intangible assets | | (8,736) | (12,238) |
| Net cash from/(used in) investing activities | | 687,997 | (169,753) |
| Cash flows from financing activities | | | |
| Repayments of other borrowed funds | | (117,181) | (159,148) |
| Proceeds from other borrowed funds | 11 | 56,405 | 120,819 |
| Repayments and buy-back on debt securities issued | 12 | (15,471) | (173,849) |
| Proceed from debt securities issued | 12 | - | 20,000 |
| Net cash used in financing activities | | (76,247) | (192,178) |
| Effect of exchange rate changes on cash and cash equivalents | | (19,900) | 67,124 |
| Net decrease in cash and cash equivalents | | (2,382,789) | (1,765,829) |
| Cash and cash equivalents, beginning of period | 4 | 5,375,211 | 6,837,554 |
| Cash and cash equivalents, end of period | 4 | 2,992,422 | 5,071,725 |

The accompanying selected explanatory notes on pages 5 to 26 are an integral part of these interim condensed consolidated financial statements.

(Figures in tables are in thousands of Azerbaijani manats)

1. Principal activities

The International Bank of Azerbaijan (“the Bank”) was incorporated in 1991 as a fully state-owned bank and is domiciled in the Republic of Azerbaijan.

The activities of the Bank are regulated by the Central Bank of the Republic of Azerbaijan (“The CBAR”). The Bank conducts its business under a general full banking license issued on 30 December 1992. The Bank’s primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at 67, Nizami Street, AZ1005, Baku, the Republic of Azerbaijan.

As at 30 June 2023 and 31 December 2022 the Bank had 68 and 64 branches, respectively operating in the Republic of Azerbaijan.

The accompanying interim condensed consolidated financial statements comprise the accounts of the Bank and its subsidiaries (hereinafter, together name as the “Group”). The interim condensed consolidated financial statements include the following subsidiaries:

| Name | Country of operation | Proportion of ownership interest (%) | | Type of operation |
|---|----------------------------|--------------------------------------|-------|-------------------|
| | | 30 June 2023 (unaudited) | 2022 | |
| “The International Bank of Azerbaijan” OJSC | The Republic of Azerbaijan | Parent | | Banking |
| Subsidiaries | | | | |
| “IBA–Moscow” LLC | Russian Federation | 100.0 | 100.0 | Banking |
| JSC “IBA–GEO” | The Republic of Georgia | 100.0 | 100.0 | None |
| “Azericard” LLC | The Republic of Azerbaijan | 100.0 | 100.0 | Card processing |
| “International Leasing Company” LLC | The Republic of Azerbaijan | 100.0 | 100.0 | Leasing |
| “IBA–Invest” Investment Company CJSC | The Republic of Azerbaijan | 100.0 | 100.0 | Investment |

As at 30 June 2023 and 31 December 2022 shareholders of the Bank were as follows:

| Shareholders | At 30 June 2023 (unaudited) (%) | At 31 December 2022 (%) |
|--|---------------------------------|-------------------------|
| Ministry of Finance of the Republic of Azerbaijan | 92.56 | 92.56 |
| State Committee on Property Issues of the Republic of Azerbaijan | 3.81 | 3.81 |
| CJSC “Agrarkredit” | 0.23 | 0.23 |
| Other* | 3.40 | 3.40 |
| Total | 100.00 | 100.00 |

* Other shareholders included minority shareholders holding an interest less than 2% each.

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

(Figures in tables are in thousands of Azerbaijani manats)

2. Basis of preparation

General

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2022.

Estimation uncertainty

To the extent that information is available as at 30 June 2023, the Group has reflected revised estimates of expected future cash flows in its ECL assessment (Note 7 and Note 6), estimation of fair values of financial instruments (Note 20).

Impairment losses and fair value assessment of Russian investment securities

Russia–Ukraine conflict started on 24 February 2022 and triggered a series of sanctions against Russian government and companies, restricting their ability to settle their obligations to foreign creditors. This required the Group to reassess its views used in estimation of impairment losses and fair value estimation of Russian investment securities held at FVOCI. The Group exercised judgment in determining the key assumptions used in ECL and fair value estimation. As at 30 June 2023, the fair value and related ECL of Russian investment securities were AZN 31,597 thousand (31 December 2022: AZN 68,123 thousand) and AZN 12,011 thousand (31 December 2022: AZN 24,735 thousand), respectively.

Changes in accounting policies

New and amended standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach);
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The Group evaluated whether its contracts contain insurance risk, focusing on performance guarantees and credit cards and concluded that there are no material contracts in scope of IFRS 17 considering practical expedients available. The amendments had no impact on the Group's interim condensed consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's interim condensed consolidated financial statements.

(Figures in tables are in thousands of Azerbaijani manats)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments had no impact on the Group's interim condensed consolidated financial statements.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's interim condensed consolidated financial statements.

3. Segment information

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 *Operating Segments* and other standards that require special disclosures in the form of segmental reporting.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. For managerial purposes, the Group is organized into three operating segments:

- ▶ Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products;
- ▶ Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- ▶ Treasury – comprises interbank lending and borrowings, securities trading swaps, foreign exchange services, issuance of bonds and promissory notes and other treasury functions.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is not measured differently from operating profit or loss in the interim condensed consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(Figures in tables are in thousands of Azerbaijani manats)

3. Segment information (continued)

The following tables present income and profit information regarding the Group's operating segments for the six months ended 30 June 2023 and 2022, respectively:

| Six months ended 30 June 2023 (unaudited) | Retail banking | Corporate banking | Treasury | Unallocated | Total |
|--|---------------------------|------------------------------|-----------------|--------------------|----------------|
| Interest income | 140,717 | 74,492 | 156,266 | - | 371,475 |
| Interest expense | (19,643) | (35,382) | (17,224) | - | (72,249) |
| Net interest income | 121,074 | 39,110 | 139,042 | - | 299,226 |
| Reversal of provision for credit losses on credit related commitments | - | 986 | - | - | 986 |
| Other impairment reversal | - | (143) | - | - | (143) |
| Credit loss (expense)/reversal | (14,240) | (13,650) | 12,215 | - | (15,675) |
| Fee and commission income | 16,551 | 32,866 | 15,467 | - | 64,884 |
| Fee and commission expense | (26,139) | (3,290) | (3,000) | - | (32,429) |
| Other non-interest gains net of losses | 7,225 | 23,523 | 5,746 | 1,361 | 37,855 |
| Net loss arising on initial recognition of financial instruments and loan modification | (234) | - | - | - | (234) |
| Loss on repurchase of debt | - | - | (199) | - | (199) |
| Operating expense | (64,641) | (43,702) | (24,208) | (17,028) | (149,579) |
| Segment profit/(loss) | 39,596 | 35,700 | 145,063 | (15,667) | 204,692 |
| Income tax (expense)/benefit | (8,025) | (7,236) | (29,402) | 3,175 | (41,488) |
| Profit/(Loss) for the period | 31,571 | 28,464 | 115,661 | (12,492) | 163,204 |

(Figures in tables are in thousands of Azerbaijani manats)

3. Segment information (continued)

| Six months ended 30 June 2022 (unaudited) | Retail banking | Corporate banking | Treasury | Unallocated | Total |
|--|---------------------------|------------------------------|-----------------|--------------------|------------------|
| Interest income | 115,088 | 66,156 | 78,684 | - | 259,928 |
| Interest expense | (13,421) | (11,851) | (21,434) | - | (46,706) |
| Net interest income | 101,667 | 54,305 | 57,250 | - | 213,222 |
| Reversal of provision for credit losses on credit related commitments | - | 719 | - | - | 719 |
| Other impairment reversal | - | 1,081 | - | - | 1,081 |
| Credit loss expense | 367 | 1,075 | (6,735) | - | (5,293) |
| Fee and commission income | 15,006 | 27,962 | 12,546 | - | 55,514 |
| Fee and commission expense | (15,217) | (4,522) | (3,051) | - | (22,790) |
| Other non-interest gains net of losses | 12,836 | 28,194 | 11,747 | 2,409 | 55,186 |
| Net loss arising on initial recognition of financial instruments and loan modification | - | - | - | (438) | (438) |
| Loss on repurchase of debt | - | - | (9,716) | - | (9,716) |
| Impairment for property, equipment and intangible assets | - | - | - | (207) | (207) |
| Operating expense | (52,602) | (33,583) | (13,631) | (20,325) | (120,141) |
| Segment profit/(loss) | 62,057 | 75,231 | 48,410 | (18,561) | 167,137 |
| Income tax (expense)/benefit | (14,031) | (17,010) | (10,946) | 4,197 | (37,790) |
| Profit/(loss) for the period | 48,026 | 58,221 | 37,464 | (14,364) | 129,347 |

The following table presents segment assets and liabilities of the Group's operating segments:

| Segment assets | Retail banking | Corporate banking | Treasury | Unallocated | Total |
|-----------------------------|---------------------------|------------------------------|-----------------|--------------------|-------------------|
| At 30 June 2023 (unaudited) | 2,272,624 | 2,060,250 | 8,044,501 | 25,092 | 12,402,467 |
| At 31 December 2022 | 1,919,714 | 1,725,947 | 10,512,528 | 19,430 | 14,177,619 |
| Segment liabilities | Retail banking | Corporate banking | Treasury | Unallocated | Total |
| At 30 June 2023 (unaudited) | 2,177,224 | 7,247,533 | 954,198 | 52,432 | 10,431,387 |
| At 31 December 2022 | 2,091,721 | 9,511,346 | 658,406 | 95,783 | 12,357,256 |

4. Cash and cash equivalents

Cash and cash equivalents comprise:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-------------------------------------|-----------------------------|
| Cash on hand | 419,326 | 364,331 |
| Current accounts with central banks | 311,827 | 1,158,441 |
| Correspondent accounts and time deposits with original maturity up to 90 days | 2,261,269 | 3,852,439 |
| Cash and cash equivalents | 2,992,422 | 5,375,211 |

As at 30 June 2023, the Group had a concentration of correspondent accounts and time deposits with original maturity up to 90 days with credit institutions represented by AZN 2,201,645 thousand (31 December 2022: AZN 3,795,452 thousand) in seventeen (31 December 2022: fourteen) largest banks.

Cash equivalents in the amount of AZN 2,529,711 thousand are allocated to Stage 1 and cash equivalents in the amount of AZN 43,385 thousand are allocated to Stage 2 (31 December 2022: AZN 4,953,204 thousand to Stage 1 and AZN 57,676 thousand to Stage 2). The ECL relating to cash equivalents of the Group rounds to zero in both years.

(Figures in tables are in thousands of Azerbaijani manats)

5. Due from banks and other financial institutions

Amounts due from credit institutions comprise:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-------------------------------------|-----------------------------|
| Time deposits with the CBAR | 1,485,828 | 1,463,777 |
| Time deposits with non-resident banks | 313,399 | 47 |
| Blocked accounts with non-resident banks | 2,359 | 2,322 |
| Loans to credit institutions | 30,424 | 23,856 |
| Time deposits with resident banks | 17,621 | 1,724 |
| Less: allowance for impairment | (5,945) | (3,548) |
| Amounts due from credit institutions | 1,843,686 | 1,488,178 |

The movements in ECL allowance were not significant during the period.

Mandatory cash balances with the Central Banks

As at 31 December 2022, credit institutions in the Republic of Azerbaijan were required to maintain a non-interest earning cash deposit (obligatory reserve with restriction on withdrawal) with the CBAR at the level of 4.0% and 5.0% of the previous month average of funds attracted from customers by a credit institution in AZN and foreign currencies, respectively.

As at 30 June 2023, according to the CBAR decision made on 9 January 2023, credit institutions are required to maintain obligatory reserve with the CBAR as follows:

- ▶ 5% of the previous month average balances of certain liabilities of legal entities in national currency up to AZN 1,000,000 thousand and 10% of the amount exceeding AZN 1,000,000 thousand;
- ▶ 6% of the previous month average balances of certain liabilities of legal entities in foreign currency up to AZN 750,000 thousand equivalent and 12% of the amount exceeding AZN 750,000 thousand equivalent;
- ▶ 5% of the previous month average balances of certain liabilities of individuals and private entrepreneurs attracted in the national currency and 6% of the previous month average balances of certain liabilities in the foreign currency.

The change became effective from February 15, 2023. The Bank's ability to withdraw such deposit is restricted by statutory legislation. Obligatory reserves are recognised within *Mandatory cash balances with central banks* line in the interim condensed consolidated statement of financial position.

6. Investment securities

Investment securities comprise:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|-------------------------------------|-----------------------------|
| Debt securities at amortized cost | | |
| Corporate bonds | 414,846 | 110,516 |
| Government bonds | 352,258 | - |
| Notes issued by Central Bank of Azerbaijan Republic | 89,491 | - |
| Less: allowance for impairment | (1,882) | (591) |
| | 854,713 | 109,925 |
| Debt securities at FVOCI | | |
| Government bonds | 843,698 | 2,131,504 |
| Corporate bonds | 222,979 | 258,573 |
| Notes issued by the Central Bank of Azerbaijan Republic | 32,720 | 147,346 |
| | 1,099,397 | 2,537,423 |
| Government bonds | 9,039 | - |
| Debt securities at FVOCI pledged under repurchase agreements | 9,039 | - |
| Equity securities at FVOCI | | |
| Corporate shares | 91,263 | 80,169 |
| | 91,263 | 80,169 |
| Investment securities | 2,054,412 | 2,727,517 |

*(Figures in tables are in thousands of Azerbaijani manats)***6. Investment securities (continued)**

Debt securities in amount of AZN 1,924,336 thousand (31 December 2022: AZN 2,579,225 thousand), or 98% (31 December 2022: 97%) of the total debt securities balance of the Group, are allocated to Stage 1. The remaining balance of debt securities in amount of AZN 30,586 thousand and AZN 8,227 thousand (31 December 2022: AZN 53,445 thousand and AZN 14,678 thousand) is allocated to Stage 2 and Stage 3, respectively. ECL in amount of AZN 5,143 thousand and AZN 7,368 thousand (31 December 2022: AZN 11,335 thousand and AZN 13,400 thousand) is allocated to Stage 2 and Stage 3 securities, respectively. These are mainly debt securities carried at FVOCI which were issued by entities operating in the Russian Federation and held by "IBA-Moscow" LLC.

7. Loans to customers

Loans to customers comprise:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|--|---|-----------------------------------|
| Loans to legal entities | 2,036,971 | 1,691,314 |
| Loans to individuals | 2,188,314 | 1,872,199 |
| Total loans to customers, gross | 4,225,285 | 3,563,513 |
| Less: allowance for impairment losses | (188,045) | (162,455) |
| Total loans to customers | 4,037,240 | 3,401,058 |

OJSC International Bank of Azerbaijan

(Figures in tables are in thousands of Azerbaijani manats)

7. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost

An analysis of changes in the ECL in relation to Loans to legal entities and loans to individuals during the period ended 30 June 2023 is, as follows:

| Loans to legal entities | Stage 1 | Stage 2 | Stage 3 | Total |
|--|-----------------|----------------|-----------------|------------------|
| ECL as at 1 January 2023 | (16,905) | (1,333) | (31,750) | (49,988) |
| <i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i> | | | | |
| New assets originated or purchased | (13,633) | - | - | (13,633) |
| Change in accrued interest balance | (77) | (29) | (1,160) | (1,266) |
| Assets repaid | 4,473 | 53 | 2,574 | 7,100 |
| Transfer to 12-month ECL | - | - | - | - |
| Transfer to lifetime ECL not credit-impaired | 18 | (991) | 973 | - |
| Transfer to lifetime ECL credit-impaired | 170 | 1,304 | (1,474) | - |
| Net remeasurement of ECL | 1,319 | 810 | (8,834) | (6,705) |
| <i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i> | | | | |
| Unwind of discount | - | - | (1,902) | (1,902) |
| Write-offs | - | - | 543 | 543 |
| At 30 June 2023 (unaudited) | (24,635) | (186) | (41,030) | (65,851) |
| Loans to individuals | Stage 1 | Stage 2 | Stage 3 | Total |
| ECL as at 1 January 2023 | (19,345) | (5,533) | (87,589) | (112,467) |
| <i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i> | | | | |
| New assets originated or purchased | (10,557) | - | - | (10,557) |
| Change in accrued interest balance | (94) | (80) | (73) | (247) |
| Assets repaid | 2,980 | 716 | 5,429 | 9,125 |
| Transfer to 12-month ECL | (7,558) | 2,046 | 5,512 | - |
| Transfer to lifetime ECL not credit-impaired | 1,289 | (3,096) | 1,807 | - |
| Transfer to lifetime ECL credit-impaired | 1,045 | 1,955 | (3,000) | - |
| Net remeasurement of ECL | 4,596 | (3,108) | (12,009) | (10,521) |
| Changes due to modifications not resulting in derecognition | 27 | | | 27 |
| <i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i> | | | | |
| Unwind of discount | - | - | (2,980) | (2,980) |
| Write-offs | - | - | 5,426 | 5,426 |
| At 30 June 2023 (unaudited) | (27,617) | (7,100) | (87,477) | (122,194) |

OJSC International Bank of Azerbaijan

(Figures in tables are in thousands of Azerbaijani manats)

7. Loans to customers (continued)

Allowance for impairment of loans to customers at amortised cost (continued)

An analysis of changes in the ECL in relation to Loans legal entities during the period ended 30 June 2022 is, as follows:

| <i>Loans to legal entities</i> | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | <i>Total</i> |
|--|-----------------------|-----------------------|-----------------------|---------------------|
| ECL as at 1 January 2022 | (20,280) | (331) | (18,802) | (39,413) |
| <i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i> | | | | |
| New assets originated or purchased | (4,765) | - | - | (4,765) |
| Change in accrued interest balance | (103) | - | 68 | (35) |
| Assets repaid | 3,004 | 55 | 738 | 3,797 |
| Transfer to 12-month ECL | (7) | 7 | - | - |
| Transfer to lifetime ECL not credit-impaired | 1,097 | (1,107) | 10 | - |
| Transfer to lifetime ECL credit-impaired | 1,249 | 18 | (1,267) | - |
| Net remeasurement of ECL | 6,978 | (170) | (3527) | 3281 |
| <i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i> | | | | |
| Unwind of discount | - | - | (1,200) | (1,200) |
| At 30 June 2022 (unaudited) | (12,827) | (1,528) | (23,980) | (38,335) |
| <i>Loans to individuals</i> | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | <i>Total</i> |
| ECL as at 1 January 2022 | (21,432) | (5,788) | (78,672) | (105,892) |
| <i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i> | | | | |
| New assets originated or purchased | (7,694) | - | - | (7,694) |
| Change in accrued interest balance | (88) | (32) | 2,396 | 2,276 |
| Assets repaid | 2,790 | 736 | 8,743 | 12,269 |
| Transfer to 12-month ECL | (6,995) | 2,628 | 4,367 | - |
| Transfer to lifetime ECL not credit-impaired | 1,329 | (3,564) | 2,235 | - |
| Transfer to lifetime ECL credit-impaired | 2,260 | 1,440 | (3,700) | - |
| Net remeasurement of ECL | 10,824 | (1,583) | (13,599) | (4,358) |
| <i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i> | | | | |
| Unwind of discount | - | - | (2,128) | (2,128) |
| At 30 June 2022 (unaudited) | (19,006) | (6,163) | (80,358) | (105,527) |

*(Figures in tables are in thousands of Azerbaijani manats)***8. Other assets and liabilities**

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|---|-------------------------|
| Other financial assets | | |
| Funds in settlement | 79,946 | 51,413 |
| Pledged funds with non-resident organizations | 13,779 | 12,215 |
| Accrued commission and receivables from settlement of off-balance sheet commitments | 8,632 | 8,530 |
| Amounts blocked in clearing house | 13,575 | 11,312 |
| Allowance for impairment of other assets | (9,667) | (9,789) |
| | 106,265 | 73,681 |
| Other non-financial assets | | |
| Prepayments | 12,968 | 6,965 |
| Right-of-use assets | 13,113 | 9,294 |
| Deferred expenses | 5,387 | 4,186 |
| Repossessed collateral | 3,141 | 2,972 |
| | 34,609 | 23,417 |
| Other assets | 140,874 | 97,098 |

Other liabilities comprise:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|--|---|-------------------------|
| Other financial liabilities | | |
| Funds in settlement | 54,009 | 50,289 |
| Credit loss allowance for credit-related commitments | 18,677 | 19,541 |
| Lease liability | 14,114 | 10,170 |
| Dividends payable to shareholders | 287 | 287 |
| | 87,087 | 80,287 |
| Other non-financial liabilities | | |
| Payables to employees | 29,083 | 32,728 |
| Deferred revenue on plastic cards | 9,817 | 8,229 |
| Payables to local budget | 7,074 | 5,393 |
| Obligations for legal claims | 6,700 | - |
| Taxes other than income tax | 6,215 | 8,182 |
| Provision for other contingencies and commitments | 1,981 | 1,838 |
| | 60,870 | 56,370 |
| Other liabilities | 147,957 | 136,657 |

9. Due to banks and other financial institutions

Due to banks and other financial institutions comprise:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|--|---|-------------------------|
| Correspondent accounts of non-resident banks | 311,010 | 14,718 |
| Correspondent accounts of resident banks | 66,834 | 58,045 |
| Time deposits of resident banks and other financial institutions | - | 9,238 |
| Payables under repurchase agreements | 10,319 | - |
| Due to banks and other financial institutions | 388,163 | 82,001 |

(Figures in tables are in thousands of Azerbaijani manats)

10. Customer accounts

The amounts due to customers comprise:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|--------------------------------|---|-------------------------|
| Legal entities | | |
| - Current/settlement accounts | 6,106,453 | 8,812,904 |
| - Term deposits | 753,652 | 232,311 |
| - Restricted customer deposits | 138,293 | 287,378 |
| Total legal entities | 6,998,398 | 9,332,593 |
| Individuals | | |
| - Current/settlement accounts | 1,443,408 | 1,213,619 |
| - Term deposits | 682,556 | 705,600 |
| - Restricted customer deposits | 83 | 209 |
| Total individuals | 2,126,047 | 1,919,428 |
| Total customer accounts | 9,124,445 | 11,252,021 |

Customer accounts of government related entities, which account for the largest share (60%) of the total balance, amounted to AZN 5,448,657 thousand as of 30 June 2023 (31 December 2022:70% and AZN 7,965,373).

11. Other borrowed funds

Other borrowed funds comprise:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|---|-------------------------|
| Term borrowings from the CBAR | - | 77,676 |
| National Fund for Support of Entrepreneurship and the Mortgage Fund (the Republic of Azerbaijan) | 167,269 | 151,349 |
| Total other borrowed funds | 167,269 | 229,025 |

12. Debt securities issued

Debt securities issued comprise:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|-------------------------------------|---|-------------------------|
| Eurobonds | 478,103 | 483,939 |
| Bonds | 17,088 | 19,100 |
| Certificates of deposit | - | 1,364 |
| Total debt securities issued | 495,191 | 504,403 |

As at 30 June 2023, the Group had one class of Eurobonds issued in September 2017 with coupon rate of 3.5% p.a maturing in September 2024. The Group is obliged to comply with certain non-financial covenants in relation to these Eurobonds. As at 30 June 2023, the Group was in compliance with these covenants.

The Group also issued bonds in June 2022 with a total face value of AZN 20,000 thousand and a coupon rate of 6% p.a maturing in June 2024.

During the six months period ended 30 June 2023, the Group repurchased Eurobonds with the cash consideration of AZN 12,145 thousand (2022:AZN 262,936 thousand), resulting in loss recognized in the amount of AZN 199 thousand (2022: AZN 11,085 thousand).

(Figures in tables are in thousands of Azerbaijani manats)

13. Taxation

The corporate income tax expense comprises:

| | <i>For the six months ended</i> | |
|--|---|---|
| | 30 June 2023 <i>(unaudited)</i> | 30 June 2022 <i>(unaudited)</i> |
| Current tax charge | (46,104) | (33,731) |
| Changes in deferred tax | 2,720 | 18,789 |
| Less: deferred tax recognized directly in other comprehensive income | 1,896 | (22,848) |
| Income tax expense | (41,488) | (37,790) |

14. Equity

The Group's share capital comprises the following number of shares:

| Ordinary shares (par value of 0.27 AZN) | Number of paid-in shares (in thousands) | Share capital |
|--|--|--------------------------|
| As at 1 January 2022 | 4,597,359 | 1,241,287 |
| Liquidation of shares | (57,922) | (15,639) |
| As at 31 December 2022 | 4,539,437 | 1,225,648 |
| As at 30 June 2023 (unaudited) | 4,539,437 | 1,225,648 |

All ordinary shares have a nominal value of AZN 0.27 per share as at 30 June 2023 and 31 December 2022 and rank equally. Each share carries one vote.

Earnings per share

The gain/loss and weighted average number of shares used in the calculation of the basic and diluted loss per share are as follows:

| | 30 June 2023 <i>(unaudited)</i> | 30 June 2022 <i>(unaudited)</i> |
|---|---|---|
| Net profit for the period attributable to shareholders of the Group | 163,204 | 129,347 |
| Weighted average number of ordinary shares in issue (excluding the liquidated shares) | 4,539,437 | 4,568,398 |
| Earnings per share – basic and diluted (AZN) | 0.04 | 0.03 |

The Group has no dilutive potential ordinary shares; therefore, the diluted earnings per share are equal to basic earnings per share.

15. Balances with CJSC “Agrarkredit”

During 2015–2019, the Government of Azerbaijan was taking a number of steps to strengthen the Group's capital position and the quality of its assets. As a result of restructuring of Group's assets, the Group received promissory notes of CJSC “Agrarkredit” in exchange of transfer of problematic assets. The value of promissory notes received from CJSC “Agrarkredit” in 2017 exceeded the gross nominal value of corresponding problematic assets transferred, for which the Payables to CJSC “Agrarkredit” was recognized in the interim condensed consolidated statement of financial position and held as security against defaults in certain guarantees and letters of credit (Note 16).

During 2023, CJSC Agrarkredit repaid a portion of its promissory notes to the Group in amount of AZN 85,899 thousand in cash. At 30 June 2023, the gross balance of Receivables from CJSC “Agrarkredit” and Payables to “Agrarkredit” amounted to AZN 290,746 thousand and AZN 62,632 thousand, respectively (31 December 2022: AZN 384,959 thousand and AZN 63,030 thousand, respectively). As at 30 June 2023, the ECL relating to Receivable from CJSC “Agrarkredit” of the Group is AZN 1,499 thousand (31 December 2022: AZN 1,985 thousand).

(Figures in tables are in thousands of Azerbaijani manats)

16. Commitments and contingencies

Operating environment

The disruption of the global supply chains, conflict between the Russian Federation and Ukraine, as well as rising consumer demand for goods lead to significant inflationary pressures to the global economy in 2022–2023, including soaring commodity prices. The effect on economies in which the Group operates is presented as follows.

The Republic of Azerbaijan

The Bank conducts most of its operations in the Republic of Azerbaijan. The economy of Azerbaijan is particularly sensitive to oil and gas prices. During recent years, the Azerbaijani Government has initiated major economic and social reforms to accelerate the transition to a more balanced economy and reduce dependence on the oil and gas sector.

Strong economic growth observed during past two years driven by a Covid–19 rebound and high hydrocarbon revenues, slowed down to 0.5% (2022: 4.6%) during the first half of 2023. Oil and gas prices mainly followed downwards trend, but still remained high. Inflation remained high at 12.7%, but has been gradually slowing down due to counterinflationary measures undertaken both in global economies and in Azerbaijan.

Over the span of six months, the Central Bank of the Republic of Azerbaijan implemented three successive refinancing rate hikes: starting from 8.5% in February, it was elevated to 8.75% in March and further to 9.0% by May 2023 (31 December 2022: 8.25%).

During the six months of 2023 global rating agencies have reaffirmed their previous positive foreign and local currency sovereign credit ratings on Azerbaijan.

The Bank's management is monitoring economic developments in the current environment and taking precautionary measures it considers necessary in order to support the sustainability and development of the Bank's business in the foreseeable future. The Bank considers its current liquidity position to be sufficient for its sustainable functioning. The Bank monitors its liquidity position on a daily basis.

The Russian Federation

On 24 February 2022 a military conflict emerged between Russia and Ukraine. Following this, a number of western and other countries began applying sanctions to Russian economy. The sanctions were wide-ranging, targeting banks, businesses, monetary exchanges, bank transfers, exports, and imports. Since the start of the conflict, there has been a significant decline in values of Russian equity and debt securities in markets.

Despite the severity of sanctions, the decline in Russian economy has so far been slower than initially expected, which was backed by increased oil and gas prices – a major revenue source for Russia, and by adjustments to global oil and gas delivery routes, which maintained, to a certain degree, the stability of hydrocarbon export volumes for Russia.

Nevertheless, ongoing war and global sanctions considerably affected Russian economy over the past year and a half. Starting from mid-January 2023, the national currency of Russia – ruble, started to devalue against US dollar and other currencies, including AZN. The official exchange rate of ruble to AZN was 0.0201 AZN for 1 ruble as at 30 June 2023 (31 December 2022: 0.0230 AZN for 1 ruble) This resulted in translation loss of AZN 20,070 thousand recognized in other comprehensive income upon consolidation of "IBA-Moscow LLC during the six months period ended 30 June 2023.

The Group has a fully owned subsidiary bank operating in Russia – "IBA-Moscow" LLC. As of 30 June 2023, "IBA Moscow" LLC had total assets in the amount of AZN 487,642 thousand (31 December 2022: AZN 342,830 thousand) and liabilities in the amount of AZN 331,794 thousand (31 December 2022: AZN 178,406 thousand), prior to intercompany eliminations, and the Bank had a correspondent account of AZN 106,009 thousand placed with "IBA Moscow" LLC (31 December 2022: AZN 32,465 thousand) and, in turn, "IBA Moscow" LLC had a correspondent account in the amount of AZN 10,321 thousand and a deposit of AZN 37,332 thousand placed with the Bank. There were no restrictions preventing the Bank from using these correspondent accounts and deposits, including its withdrawal and conversion, both as at reporting date and as at the date of issuance of these interim condensed consolidated financial statements

The sanctions imposed by the US and the EU on the largest companies of Russia, as well as the impact of the conflict on economic and operational activities resulted in significant disruption in trading activity on Moscow Stock Exchange during prior year. However, during the first half of 2023 the trading activity has been considerably higher than in 2022. As the conflict is still waging, it is impossible to reliably assess the impact this may have on the Group's business as there is uncertainty over the magnitude of the impact on the economy in general.

The Group incorporated its best estimates of the effects related to the conflict to its expected credit loss and fair value assessments of investment securities as at 30 June 2023.

(Figures in tables are in thousands of Azerbaijani manats)

16. Commitments and contingencies (continued)

Legal

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

Taxation

Tax legislation in Azerbaijan is subject to varying interpretations, and changes can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities. Recent events within the Republic of Azerbaijan suggest that the tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of the Bank that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. The last tax inspection covered the year ended 31 December 2018.

Management's interpretation of the relevant legislation as at 30 June 2023 is appropriate and the Bank's tax, currency and customs positions will be sustained.

Compliance with the CBAR ratios

The CBAR requires banks to maintain certain prudential ratios computed based on statutory financial statements. As at 30 June 2023, the Bank was in compliance with these ratios.

Financial commitments and contingencies

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

Credit related and other commitments

The Group's commitments and contingencies comprised the following:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|---|---|-------------------------|
| Credit-related commitments | | |
| Guarantees issued | 566,991 | 561,875 |
| Letters of credit | 137,497 | 285,450 |
| Unused credit lines | 1,003,751 | 1,027,443 |
| | 1,708,239 | 1,874,768 |
| Performance guarantees | 241,694 | 236,942 |
| Commitments and contingencies | 1,949,933 | 2,111,710 |
| Provision for ECL for credit related commitments | (18,677) | (18,967) |
| Provisions for ECL of performance guarantees | (1,981) | (2,412) |
| Cash held as security against guarantees and letters of credit | (140,863) | (291,776) |
| Cash received from CJSC "Agrarkredit" held as security against guarantees and letters of credit | (62,287) | (63,030) |

(Figures in tables are in thousands of Azerbaijani manats)

16. Commitments and contingencies (continued)

Credit related and other commitments (continued)

An analysis of changes in the ECLs during the six months of 2023 is as follows:

| <i>Financial guarantees</i> | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | <i>Total</i> |
|---|----------------|----------------|----------------|-----------------|
| ECL as at 1 January 2023 | (9,420) | – | (799) | (10,219) |
| New exposures originated or purchased | (2,755) | – | – | (2,755) |
| Exposures derecognised or matured (excluding write-offs) | 2,213 | – | 700 | 2,913 |
| Transfer to 12-month ECL | – | – | – | – |
| Transfer to lifetime ECL not credit-impaired | 321 | (321) | – | – |
| Transfer to lifetime ECL credit-impaired | 256 | – | (256) | – |
| Net remeasurement of ECL | 1,415 | (409) | (50) | 956 |
| At 30 June 2023 (unaudited) | (7,970) | (730) | (405) | (9,105) |
| <i>Letters of credit</i> | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | <i>Total</i> |
| ECL as at 1 January 2023 | (39) | – | – | (39) |
| New assets originated or purchased | – | – | – | – |
| Exposures derecognised or matured (excluding write-offs) | 30 | – | – | 30 |
| Net remeasurement of ECL | 1 | – | – | 1 |
| At 30 June 2023 (unaudited) | (8) | – | – | (8) |
| <i>Undrawn commitments</i> | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | <i>Total</i> |
| ECL as at 1 January 2023 | (6,468) | (190) | (2,625) | (9,283) |
| New exposures originated or purchased | (4,758) | – | – | (4,758) |
| Exposures derecognised or matured (excluding write-offs) | 1,799 | 47 | 1,261 | 3,107 |
| Transfer to 12-month ECL | (952) | 106 | 846 | – |
| Transfer to lifetime ECL not credit-impaired | 3,697 | (3,718) | 21 | – |
| Transfer to lifetime ECL credit-impaired | 7 | 23 | (30) | – |
| Net remeasurement of ECL | 1,859 | (166) | (323) | 1,370 |
| At 30 June 2023 (unaudited) | (4,816) | (3,898) | (850) | (9,564) |

An analysis of changes in the ECLs during the six months of 2022 (unaudited) is as follows:

| <i>Financial guarantees</i> | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | <i>Total</i> |
|---|-----------------|----------------|----------------|-----------------|
| ECL as at 1 January 2022 | (10,232) | (63) | (613) | (10,908) |
| New exposures originated or purchased | (849) | (257) | – | (1,106) |
| Exposures derecognised or matured (excluding write-offs) | 1,785 | 9 | 613 | 2,407 |
| Transfer to 12-month ECL | (47) | 47 | – | – |
| Transfer to lifetime ECL not credit-impaired | 137 | (137) | – | – |
| Transfer to lifetime ECL credit-impaired | 16 | – | (16) | – |
| Net remeasurement of ECL | 4,247 | (84) | (322) | 3,841 |
| At 30 June 2022 (unaudited) | (4,943) | (485) | (338) | (5,766) |
| <i>Letter of credit</i> | <i>Stage 1</i> | <i>Stage 2</i> | <i>Stage 3</i> | <i>Total</i> |
| ECL as at 1 January 2022 | (99) | – | – | (99) |
| New assets originated or purchased | (13) | – | – | (13) |
| Exposures derecognised or matured (excluding write-offs) | 99 | – | – | 99 |
| At 30 June 2022 (unaudited) | (13) | – | – | (13) |

*(Figures in tables are in thousands of Azerbaijani manats)***16. Commitments and contingencies (continued)****Credit related and other commitments (continued)**

| Undrawn commitments | Stage 1 | Stage 2 | Stage 3 | Total |
|---|----------------|----------------|----------------|-----------------|
| ECL as at 1 January 2022 | (9,779) | (256) | (2,577) | (12,612) |
| New exposures originated or purchased | (1,244) | (8) | – | (1,252) |
| Exposures derecognised or matured (excluding write-offs) | 573 | 66 | 452 | 1,091 |
| Transfer to 12-month ECL | (1,959) | 1,959 | – | – |
| Transfer to lifetime ECL not credit-impaired | – | (39) | 39 | – |
| Transfer to lifetime ECL credit impaired | – | 28 | (28) | – |
| Net remeasurement of ECL | 5,141 | (1,919) | 1,591 | 4,813 |
| At 30 June 2022 (unaudited) | (7,268) | (169) | (523) | (7,960) |

17. Credit loss expense and other impairment and provisions

The table below shows the ECL (charges)/reversals on financial instruments recorded in the interim condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2023 (unaudited):

| | Note | Stage 1 | Stage 2 | Stage 3 | Total |
|---|-------------|-----------------|----------------|----------------|-----------------|
| Loans to customers | 7 | (16,002) | (420) | (10,255) | (26,677) |
| Due from banks and other financial institutions | 5 | (2,397) | – | – | (2,397) |
| Debt securities at amortised cost | | (1,291) | – | – | (1,291) |
| Debt securities at FVOCI | | 1,980 | 6,192 | 6,032 | 14,204 |
| Receivables from CJSC "Agrarkredit" | | 486 | – | – | 486 |
| Credit loss (expense)/reversal on interest bearing financial assets (unaudited) | | (17,224) | 5,772 | (4,223) | (15,675) |
| Financial guarantees | 16 | 1,450 | (730) | 394 | 1,114 |
| Letters of credit | 16 | 31 | – | – | 31 |
| Undrawn loan commitments | 16 | 1,652 | (3,708) | 1,775 | (281) |
| Credit loss reversal/(charge) on credit-related commitments (unaudited) | | 3,133 | (4,438) | 2,169 | 864 |
| Other financial assets | | – | – | 122 | 122 |
| Credit loss reversal/(charge) on credit-related commitments and other financial assets (unaudited) | | 3,133 | (4,438) | 2,291 | 986 |
| Total credit loss (charge)/reversal (unaudited) | | (14,091) | 1,334 | (1,932) | (14,689) |

*(Figures in tables are in thousands of Azerbaijani manats)***17. Credit loss expense and other impairment and provisions (continued)**

The table below shows the ECL charges on financial instruments recorded in the interim condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2022 (unaudited):

| | Note | Stage 1 | Stage 2 | Stage 3 | Total |
|---|-------------|----------------|----------------|-----------------|-----------------|
| Loans to customers | 7 | 9,879 | (1,572) | (3,536) | 4,771 |
| Due from banks and other financial institutions | 5 | (289) | – | (191) | (480) |
| Debt securities at FVOCI | | (2,603) | (7,693) | – | (10,296) |
| Receivables from CJSC “Agrarkredit” | | 712 | – | – | 712 |
| Credit loss (charge)/reversal on interest bearing financial assets (unaudited) | | 7,699 | (9,265) | (3,727) | (5,293) |
| Financial guarantees | 16 | 5,289 | (422) | 275 | 5,142 |
| Letters of credit | 16 | 86 | – | – | 86 |
| Undrawn loan commitments | 16 | 2,511 | 87 | 2,054 | 4,652 |
| Credit loss reversal/(charge) on credit-related commitments (unaudited) | | 7,886 | (335) | 2,329 | 9,880 |
| Other financial assets | | 1,882 | – | (11,043) | (9,161) |
| Credit loss (charge)/reversal on credit-related commitments and other financial assets (unaudited) | | 9,768 | (335) | (8,714) | 719 |
| Total credit loss (charge)/(charge) (unaudited) | | 17,467 | (9,600) | (12,441) | (4,574) |

Provision for ECL for credit related commitments and provision on legal claims and performance guarantees are recorded within other non-financial liabilities for the period ended 30 June 2023 (Note 8):

| | Performance guarantees | Total |
|---------------------------------|-------------------------------|----------------|
| 31 December 2021 | (3,493) | (3,493) |
| Reversal | 1,081 | 1,081 |
| 30 June 2022 (unaudited) | (2,412) | (2,412) |
| 31 December 2022 | (1,838) | (1,838) |
| Reversal | (143) | (143) |
| 30 June 2023 (unaudited) | (1,981) | (1,981) |

(Figures in tables are in thousands of Azerbaijani manats)

18. Net fee and commission income

Net fee and commission income comprise:

| | 30 June 2023 (unaudited) | 30 June 2022 (unaudited) |
|--|---|---|
| Plastic cards operations | 44,832 | 41,258 |
| Settlement transactions | 8,965 | 4,944 |
| Servicing guarantees and letters of credit | 5,584 | 5,130 |
| Cash transactions | 2,697 | 2,566 |
| Others | 2,806 | 1,616 |
| Fee and commission income | 64,884 | 55,514 |
| Plastic cards operations | (19,559) | (11,624) |
| Cash transactions | (4,092) | (4,675) |
| Settlement transactions | (2,772) | (2,669) |
| Others | (6,006) | (3,822) |
| Fee and commission expense | (32,429) | (22,790) |
| Net fee and commission income | 32,455 | 32,724 |

19. Operating expenses

Operating expenses comprise:

| | 30 June 2023 (unaudited) | 30 June 2022 (unaudited) |
|--|---|---|
| Staff costs | (88,440) | (72,907) |
| Depreciation of premises and equipment | (10,236) | (11,206) |
| Fees paid to deposit insurance funds | (6,828) | (5,861) |
| Legal claims | (6,701) | - |
| Amortization of software and other intangible assets | (6,151) | (5,057) |
| Consultancy and other professional services | (5,999) | (5,203) |
| Advertising and marketing services | (4,639) | (2,913) |
| Software maintenance | (4,505) | (3,457) |
| Communication | (3,383) | (2,536) |
| Premises and property maintenance | (2,530) | (1,923) |
| Outsourcing and security | (1,984) | (1,603) |
| Customs duties and taxes other than on income | (1,492) | (1,629) |
| Insurance expense | (1,068) | (935) |
| Charity and financial aid | (1,000) | (28) |
| Stationary, books, printing, and other supplies | (817) | (1,245) |
| Utility | (795) | (752) |
| Rent | (215) | (749) |
| Other | (2,796) | (2,137) |
| Total operating expenses | (149,579) | (120,141) |

20. Fair values of financial instruments

Fair value hierarchy

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

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

*(Figures in tables are in thousands of Azerbaijani manats)***20. Fair values of financial instruments (continued)****Fair value hierarchy (continued)**

The following table shows an analysis of financial instruments recorded at fair value measurement at the end of reporting period by level of the fair value hierarchy:

| | <i>Date of valuation</i> | <i>Fair value measurement using</i> | | | <i>Total</i> |
|--------------------------------------|--------------------------|--|--|--|------------------|
| | | <i>Quoted prices in active markets (Level 1)</i> | <i>Significant observable inputs (Level 2)</i> | <i>Significant unobservable inputs (Level 3)</i> | |
| Assets measured at fair value | | | | | |
| Investment securities at FVOCI | 30 June 2023 | 1,036,473 | 159,860 | 3,366 | 1,199,699 |
| Assets measured at fair value | | | | | |
| Investment securities at FVOCI | 31 December 2022 | 2,218,371 | 389,256 | 9,965 | 2,617,592 |

Level 2 fair values have been derived from trading transactions on inactive markets.

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

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

| | <i>Carrying value 30 June 2023 (unaudited)</i> | <i>Fair value 30 June 2023 (unaudited)</i> | <i>Carrying value 31 December 2022</i> | <i>Fair value 31 December 2022</i> |
|---|--|--|--|------------------------------------|
| Financial assets | | | | |
| Cash and cash equivalents | 2,992,422 | 2,992,422 | 5,375,211 | 5,375,211 |
| Mandatory cash balances with central banks | 814,493 | 814,493 | 470,293 | 470,293 |
| Due from banks and other financial institutions | 1,843,686 | 1,843,686 | 1,488,178 | 1,488,178 |
| Investment securities at amortized cost | 854,713 | 851,988 | 109,925 | 105,162 |
| Loans to customers | 4,037,240 | 4,052,144 | 3,401,058 | 3,442,452 |
| Receivables from CJSC "Agrarkredit" | 289,247 | 289,247 | 382,974 | 382,974 |
| Other financial assets | 106,265 | 106,265 | 73,681 | 73,681 |
| Financial liabilities | | | | |
| Due to banks and other financial institutions | 388,163 | 388,163 | 82,001 | 82,001 |
| Customer accounts | 9,124,445 | 9,129,622 | 11,252,021 | 11,262,447 |
| Payables to CJSC "Agrarkredit" | 62,632 | 62,632 | 63,030 | 63,030 |
| Other borrowed funds | 167,269 | 167,269 | 229,025 | 229,025 |
| Debt securities issued | 495,191 | 482,759 | 504,403 | 497,797 |
| Other financial liabilities | 93,787 | 93,787 | 80,287 | 80,287 |

21. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

(Figures in tables are in thousands of Azerbaijani manats)

21. Related party disclosures (continued)

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

| | 30 June 2023 (unaudited) | | 31 December 2022 | |
|---|-----------------------------|--|---------------------------|--|
| | Related party balances | Total category as per the financial statements item | Related party balances | Total category as per the financial statements item |
| Cash and cash equivalents | | 2,992,422 | | 5,375,211 |
| – Government bodies and state-owned entities | 147,643 | | 1,134,605 | |
| Due from banks and other financial institutions | | 1,849,631 | | 1,491,726 |
| – Government bodies and state-owned entities | 1,485,828 | | 1,463,776 | |
| Investment securities | | 2,054,412 | | 2,727,517 |
| – Government bodies and state-owned entities | 1,830,422 | | 1,241,282 | |
| – Associates | – | | 490 | |
| Loans to customers, gross | | 4,225,285 | | 3,563,513 |
| – Government bodies and state-owned entities | 318,796 | | 385,790 | |
| – Key management personnel of the Group | 2,567 | | 1,719 | |
| – Other related parties | 1,760 | | 1,779 | |
| Allowance for impairment losses on loans to customers | | (188,045) | | (162,455) |
| – Government bodies and state-owned entities | (1,755) | | (2,086) | |
| – Key management personnel of the Group | (36) | | (37) | |
| – Other related parties | (186) | | (181) | |
| Other assets | | 140,874 | | 97,098 |
| – Government bodies and state-owned entities | 4,937 | | 3,010 | |
| Receivables from CJSC “Agrarkredit” | | 290,746 | | 384,959 |
| – Government bodies and state-owned entities | 290,746 | | 384,959 | |
| Allowance for impairment on receivables from CJSC “Agrarkredit” | | (1,499) | | (1,985) |
| – Government bodies and state-owned entities | (1,499) | | (1,985) | |
| Customer accounts | | (9,124,445) | | (11,252,021) |
| – Government bodies and state-owned entities | (5,448,657) | | (7,965,376) | |
| – Key management personnel of the Group | (602) | | (1,330) | |
| – Other related parties | (16,484) | | (13,568) | |
| Payables to CJSC “Agrarkredit” | | (62,632) | | (63,030) |
| – Government bodies and state-owned entities | (62,632) | | (63,030) | |
| Due to banks and other financial institutions | | (388,163) | | (82,001) |
| – Government bodies and state-owned entities | (11,542) | | (16,869) | |
| – Other related parties | (8,631) | | (3,843) | |
| Other borrowed funds | | (167,269) | | (229,025) |
| – Government bodies and state-owned entities | (167,269) | | (229,025) | |
| – Key management personnel of the Group | | | – | |
| – Other related parties | | | – | |
| Undrawn loan commitments | | 1,003,751 | | 1,186,513 |
| – Government bodies and state-owned entities | 496,092 | | 496,706 | |
| – Key management personnel of the Group | 34 | | 34 | |
| – Other related parties | 134 | | 149 | |
| Letters of credit and guarantees | | 946,182 | | 1,084,267 |
| – Government bodies and state owned entities | 334,589 | | 480,823 | |
| – Other related parties | 3,400 | | 3,400 | |
| Provision for off-balance sheet commitments | | (20,658) | | (21,379) |
| – Government bodies and state owned entities | (1,523) | | (1,572) | |
| – Key management personnel of the Group | – | | – | |
| – Other related parties | (1) | | (2) | |

*(Figures in tables are in thousands of Azerbaijani manats)***21. Related party disclosures (continued)****Transactions with entities other than government-related**

Compensation to members of key management personnel of the Group comprised the following:

| | 30 June 2023 (unaudited) | | 30 June 2022 (unaudited) | |
|--|-------------------------------|--|-------------------------------|--|
| | Related party transactions | Total category as per the financial statements caption | Related party transactions | Total category as per the financial statements caption |
| Key management personnel compensation | | | | |
| - Short-term employee benefits | (7,351) | (88,440) | (7,300) | (72,907) |
| Total | (7,351) | | (7,300) | |

Included in the interim condensed consolidated statement of profit or loss and other comprehensive income for the years ended 30 June 2023 and 30 June 2022 are the following amounts which were recognized in transactions with related parties:

The income and expense arising from related party transactions are as follows:

| | 30 June 2023 (unaudited) | | 30 June 2022 (unaudited) | |
|--|-------------------------------|--|-------------------------------|--|
| | Related party transactions | Total category as per the financial statements caption | Related party transactions | Total category as per the financial statements caption |
| Interest income | | 371,475 | | 259,928 |
| - Government bodies and state-owned entities | 77,539 | | 76,566 | |
| - Key management personnel of the Group | 99 | | 46 | |
| - Other related parties | 95 | | 132 | |
| Interest expense | | (72,249) | | (46,706) |
| - Government bodies and state-owned entities | (43,282) | | (31,336) | |
| - Key management personnel of the Group | (248) | | (12) | |
| - Other related parties | (59) | | (62) | |
| Impairment (losses)/reversal of impairment losses on interest bearing assets | | (15,675) | | (5,293) |
| - Government bodies and state-owned entities | 532 | | 365 | |
| - Key management personnel of the Group | 1 | | (39) | |
| - Other related parties | (6) | | 23 | |
| Reversal of impairment losses / (impairment losses) on contingent liabilities and credit related commitments | | 986 | | 719 |
| - Government bodies and state-owned entities | (62) | | (406) | |
| - Key management personnel of the Group | 1 | | (2) | |
| - Other related parties | 1 | | - | |
| Gains from operations in foreign currencies | | 40,734 | | 52,140 |
| - Government bodies and state-owned entities | 12,651 | | 14,487 | |
| - Key management personnel of the Group | 1 | | 1 | |
| - Other related parties | 6 | | 20 | |
| Fee and commission income | | 64,884 | | 55,514 |
| - Government bodies and state-owned entities | 19,447 | | 11,148 | |
| - Key management personnel of the Group | 3 | | 2 | |
| - Other related parties | 38 | | 32 | |
| Fee and commission expense | | (32,429) | | (22,790) |
| - Government bodies and state-owned entities | (5,008) | | (5,574) | |
| Operating expenses | | (149,579) | | (120,141) |
| - Government bodies and state-owned entities | (10,460) | | (9,003) | |
| - Key management personnel of the Group | (7,351) | | (7,300) | |

(Figures in tables are in thousands of Azerbaijani manats)

22. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is managed by the ratios established by Basel Capital Accord 1988 and monitored using the ratios established by the regulator.

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

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

Compliance with capital adequacy ratios set by regulator is monitored monthly with reports outlining their calculation reviewed and signed by the Group's Chief Financial Officer (CFO).

The CBAR capital adequacy ratio

The CBAR requires banks to maintain a minimum Tier 1 and total capital adequacy ratio of 6% and 12% respectively, of risk-weighted assets for regulatory capital. As at 30 June 2023, the Bank was in compliance with these requirements.

Capital adequacy ratio under Basel Capital Accord 1988

The Group's international risk-based capital adequacy ratio is computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks.

As at 30 June 2023 and 31 December 2022, the Bank's capital adequacy ratios on this basis were as follows:

| | 30 June 2023 (unaudited) | 31 December 2022 |
|-------------------------------|---|-----------------------------------|
| Tier 1 capital | 1,953,441 | 1,789,105 |
| Tier 2 capital | 156,102 | 129,221 |
| Less: deductions from capital | (91,263) | (80,169) |
| Total capital | 2,018,280 | 1,838,157 |
| Risk weighted assets | 6,478,501 | 5,599,187 |
| Tier 1 capital ratio | 30.15% | 31.95% |
| Total capital ratio | 31.15% | 32.83% |

23. Events after the end of the interim period

On 3 July 2023, in accordance with a resolution of the Annual General Meeting of Shareholders, the Group declared a dividend of AZN 156,600 thousand. The dividend per share is AZN 0.04.