

OJSC PASHA Bank

Interim condensed consolidated financial statements

30 June 2024

Contents

Report on review of interim financial information

Interim condensed consolidated financial statements

Interim consolidated statement of financial position.....	1
Interim consolidated statement of profit or loss.....	2
Interim consolidated statement of comprehensive income	3
Interim consolidated statement of changes in equity	4
Interim consolidated statement of cash flows	5

Selected explanatory notes to the interim condensed consolidated financial statements

1. Principal activities	6
2. Basis of preparation.....	7
3. Cash and cash equivalents	7
4. Amounts due from credit institutions.....	8
5. Investment securities.....	9
6. Loans to customers	11
7. Right-of-use assets and lease liabilities.....	13
8. Other assets and liabilities.....	14
9. Amounts due to banks and government funds	15
10. Amounts due to customers	15
11. Subordinated debts	16
12. Derivative financial instruments	16
13. Taxation.....	17
14. Equity	17
15. Commitments and contingencies.....	18
16. Investments in associates	21
17. Credit loss expense and other impairment and provision	22
18. Net fee and commission income.....	23
19. Personnel, general and administrative expenses	24
20. Other impairment and write-down.....	24
21. Fair values measurement	25
22. Related party disclosures	27
23. Changes in liabilities arising from financing activities	28
24. Capital adequacy.....	29

Report on Review of Interim Financial Information

To the Shareholders and Supervisory Board of
OJSC PASHA Bank

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC PASHA Bank and its subsidiaries (the Group), which comprise the interim consolidated statement of financial position as at 30 June 2024 and the related interim consolidated statements of profit or loss, 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.

6 September 2024

Baku, Azerbaijan

Interim consolidated statement of financial position**As at 30 June 2024***(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	30 June 2024 (unaudited)	31 December 2023
Assets			
Cash and cash equivalents	3	1,729,239	1,975,558
Amounts due from credit institutions	4	1,348,683	1,592,657
Investment securities	5	2,263,179	2,048,777
Derivative financial assets	12	17,774	9,349
Loans to customers	6	3,266,876	3,055,151
Property and equipment		11,266	11,978
Intangible assets		23,293	24,964
Right-of-use assets	7	50,266	12,297
Deferred income tax assets	13	15,819	17,011
Investment in associate	16	26,858	30,210
Other assets	8	85,886	115,476
Total assets		8,839,139	8,893,428
Liabilities			
Amounts due to banks and government funds	9	867,402	646,713
Amounts due to customers	10	6,879,687	7,176,452
Derivative financial liabilities	12	16,919	9,209
Current income tax liabilities	13	7,575	28,898
Lease liabilities	7	39,489	12,571
Provision for guarantees and other commitments	15	8,134	11,393
Subordinated debts	11	99,088	96,016
Other liabilities	8	74,093	79,613
Total liabilities		7,992,387	8,060,865
Equity			
Share capital	14	354,512	354,512
Additional paid-in capital	14	343	343
Retained earnings		465,103	453,080
Other reserves	14	4,016	4,016
Net unrealised loss on investment securities	14	(2,016)	(3,118)
Foreign currency translation reserve	14	15,092	13,839
Total equity attributable to shareholders of the Bank		837,050	822,672
Non-controlling interests		9,702	9,891
Total equity		846,752	832,563
Total liabilities and equity		8,839,139	8,893,428

Signed and authorised for release on behalf of the Executive Board of the Bank:

Javid Gouliyev



Chairman of the Executive Board, Chief Executive Officer

Murad Suleymanov

Member of the Executive Board, Chief Financial Officer

6 September 2024

The accompanying notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of profit or loss**For the six months ended 30 June 2024***(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)*

		For the six months ended 30 June (unaudited)	
Notes	2024	2023	
Interest income			
	140,536	150,318	
	70,132	59,155	
	34,425	29,341	
	7,904	8,605	
	252,997	247,419	
Interest revenue calculated using effective interest rate			
	261	265	
	253,258	247,684	
Interest expense			
	(40,006)	(21,433)	
	(12,446)	(15,968)	
	-	(1,937)	
	(3,021)	(4,178)	
	(656)	(674)	
	-	(2,727)	
	(56,129)	(46,917)	
Net interest income			
	197,129	200,767	
	(1,590)	8,599	
	195,539	209,366	
Net interest income after credit loss expense			
	19,205	20,285	
	78,196	69,511	
	(58,991)	(49,226)	
	(190)	(3,177)	
	25,793	19,922	
	144	2,615	
	44,952	39,645	
Non-interest income			
	(57,297)	(58,036)	
	(27,039)	(24,616)	
	(9,984)	(11,464)	
	(3,692)	5,534	
	1,522	(800)	
	(5,369)	(687)	
	(43)	-	
	3,128	(785)	
	(98,774)	(90,854)	
Non-interest expense			
	-	(6,465)	
Profit before income tax expense			
	141,717	151,692	
	(29,449)	(34,683)	
	112,268	117,009	
Net profit for the period			
Attributable to:			
	112,023	117,428	
	245	(419)	
	112,268	117,009	

The accompanying notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of comprehensive income**For the six months ended 30 June 2024***(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	<i>For the six months ended 30 June (unaudited)</i>	
		2024	2023
Net profit for the period		112,268	117,009
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Net change in fair value of investment securities at fair value through other comprehensive income		7,646	17,832
Reclassification of cumulative (gain)/loss on disposal of debt instruments at fair value through other comprehensive income to the income statement		(190)	4,064
Changes in allowance for expected credit losses of investment securities at fair value through other comprehensive income	17	(5,891)	(21,071)
Share of other comprehensive loss of an associate	16	(150)	-
Net unrealised gains on investment securities at fair value through other comprehensive income		1,415	825
Income tax relating to components of other comprehensive income	13	(313)	(165)
Foreign currency translation differences attributable to subsidiaries	14	(2,900)	(8,972)
Foreign currency translation differences attributable to an associate	16	3,719	-
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		1,921	(8,312)
Total comprehensive income for the period		114,189	108,697
Attributable to:			
- shareholders of the Bank		114,378	113,735
- non-controlling interests		(189)	(5,038)
		114,189	108,697

The accompanying notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of changes in equity**For the six months ended 30 June 2024***(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)*

	<i>Share capital</i>	<i>Additional paid-in capital</i>	<i>Retained earnings</i>	<i>Net unrealised gains/ (losses) on investment securities</i>	<i>Other reserves</i>	<i>Foreign currency translation reserve</i>	<i>Total</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
As at 1 January 2023	354,512	343	286,489	(5,386)	2,799	(36,277)	602,480	45,804	648,284
Net profit for the period	-	-	117,428	-	-	-	117,428	(419)	117,009
Other comprehensive income/(loss) for the period	-	-	-	550	-	(4,243)	(3,693)	(4,619)	(8,312)
Total comprehensive income/(loss) for the period	-	-	117,428	550	-	(4,243)	113,735	(5,038)	108,697
Transfer to reserves (Note 13)	-	-	(790)	-	790	-	-	-	-
Dividends to shareholders of the Bank (Note 13)	-	-	(30,000)	-	-	-	(30,000)	-	(30,000)
As at 30 June 2023 (unaudited)	354,512	343	373,127	(4,836)	3,589	(40,520)	686,215	40,766	726,981
As at 1 January 2024	354,512	343	453,080	(3,118)	4,016	13,839	822,672	9,891	832,563
Net profit for the period	-	-	112,023	-	-	-	112,023	245	112,268
Other comprehensive income for the period	-	-	-	1,102	-	1,253	2,355	(434)	1,921
Total comprehensive income for the period	-	-	112,023	1,102	-	1,253	114,378	(189)	114,189
Dividends to shareholders of the Bank (Note 13)	-	-	(100,000)	-	-	-	(100,000)	-	(100,000)
As at 30 June 2024 (unaudited)	354,512	343	465,103	(2,016)	4,016	15,092	837,050	9,702	846,752

The accompanying notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

Interim consolidated statement of cash flows**For the six months ended 30 June 2024***(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)*

	Notes	For the six months ended 30 June (unaudited)	
		2024	2023
Cash flows from operating activities			
Interest received		238,148	239,539
Interest paid		(53,847)	(41,035)
Fees and commissions received		76,315	68,419
Fees and commissions paid		(59,158)	(43,573)
Realised gains less losses from dealing in foreign currencies and foreign currency derivatives		26,049	16,345
Personnel expenses paid		(75,059)	(54,144)
General and administrative expenses paid		(28,798)	(33,953)
Other operating (expense)/income paid/received		(72)	1,110
Cash flows from operating activities before changes in operating assets and liabilities		123,578	152,708
<i>Net (increase)/decrease in operating assets</i>			
Amounts due from credit institutions		261,812	(345,830)
Loans to customers		(209,146)	(36,219)
Other assets		28,351	(56,232)
<i>Net increase/(decrease) in operating liabilities</i>			
Amounts due to banks and government funds		205,460	(44,434)
Amounts due to customers		(312,333)	(182,680)
Other borrowed funds		-	5
Other liabilities		17,746	29,762
Net cash flows from / (used in) operating activities before income tax		115,468	(482,920)
Income tax paid		(49,894)	(36,401)
Net cash flows from / (used in) operating activities		65,574	(519,321)
Cash flows from investing activities			
Proceeds from sale and redemption of investment securities		2,652,637	2,970,970
Purchase of investment securities		(2,847,429)	(3,504,724)
Proceeds from sale of property and equipment		47	3,810
Purchase and prepayments for property and equipment		(2,117)	(2,603)
Prepayments for right-of-use assets		(11,437)	-
Advances received for shares in subsidiary		-	46,000
Acquisition of intangible assets		(1,768)	(1,179)
Net cash flows used in investing activities		(210,067)	(487,726)
Cash flows from financing activities			
Proceeds from bonds issued		-	27,164
Redemption of bonds issued		-	(25,848)
Principal repayments of lease liability		(3,609)	(4,498)
Advances received for sale of shares in subsidiary		-	6,000
Proceeds from subordinated debts	11	2,315	-
Dividends paid	14	(100,000)	(30,000)
Net cash flows used in financing activities		(101,294)	(27,182)
Effect of exchange rates changes on cash and cash equivalents		(522)	(8,847)
Hyperinflation effect on cash and cash equivalents		-	(17,525)
Effect of expected credit losses on cash and cash equivalents		(10)	(70)
Effect of cash and cash equivalents classified as held for sale		-	(33,331)
Effect of restricted balances and accruals		-	157
Net decrease in cash and cash equivalents		(246,319)	(1,093,845)
Cash and cash equivalents, beginning of the year		1,975,558	3,302,130
Cash and cash equivalents, ending of the period	3	1,729,239	2,208,285

The accompanying notes on pages 6 to 29 are an integral part of these interim condensed consolidated financial statements.

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

1. Principal activities

OJSC PASHA Bank (“the Bank”) was established on 18 June 2007, as an open joint stock company under the laws of the Republic of Azerbaijan. The Bank operates under a banking licence No. 250 issued by the Central Bank of the Republic of Azerbaijan (the “CBAR”) on 28 November 2007.

The Bank and its subsidiaries (together – “the Group”) accept deposits from the public and extend credit, transfer payments, exchange currencies and provide other banking services to its commercial and private customers.

As at 30 June 2024 and 31 December 2023, the Bank has six service points, three branches in Azerbaijan and one subsidiary, JSC PASHA Bank Georgia located in the Republic of Georgia and one associate PASHA Yatirim Bankasi A.Ş. located in the Republic of Turkey. The Bank’s registered legal address is 15 Yusif Mammadaliyev Street, Baku, AZ1005, Azerbaijan.

As at 30 June 2024 and 31 December 2023, the following shareholders owned the outstanding shares of the Bank:

Shareholders	Ownership percentage (%)
PASHA Holding LLC	57
Bless LLC	28
Mr. Arif Pashayev	10
Mr. Mir Jamal Pashayev	5
Total	100

As at 30 June 2024 and 31 December 2023, the Group is ultimately owned by Mrs. Leyla Aliyeva, Mrs. Arzu Aliyeva, Mr. Arif Pashayev and Mr. Mir Jamal Pashayev, who exercise collective control over the Group.

PASHA Bank Georgia JSC, subsidiary of the Group, is located in the Republic of Georgia, operating in the banking sector, with registered and paid up share capital of GEL 35,000 thousand as at 31 December 2013. In March 2014 share capital of subsidiary was increased and amounted to GEL 103,000 thousand. In March 2022 and September 2023 share capital of subsidiary was increased by GEL 26,000 and GEL 7,800 thousand and amounted to GEL 136,800 thousand as at 30 June 2024. On July 2023 and September 2023, respectively the ratio of shares directly belonging to OJSC PASHA Bank fell from 100% to 90.20% and on September 2023 AZN 5,061 thousand share capital was injected by PASHA Holding LLC in exchange of 7,800,000 common shares issued by PASHA Bank Georgia JSC, as a result of which the ownership in a subsidiary decreased to 85.06%.

PASHA Bank Georgia JSC operates under a banking licence issued by the National Bank of Georgia (the “NBG”) on 17 January 2013. Legal address of the PASHA Bank Georgia JSC is 37M, Ilia Chavchavadze Avenue, 0179, Tbilisi, Georgia.

TAIB Yatirim Bank A.Ş. was incorporated in 1987 as an investment bank in the Republic of Turkey with the permission of the Council of Ministers decision no. 6224 which allows the transfer of the banks’ net profit after statutory liabilities and in case of liquidation the transfer of capital to foreign shareholders. On 27 January 2015, the Bank acquired 79.47% of the voting common shares of TAIB Yatirim Bank A.Ş. and it was renamed to PASHA Yatirim Bankasi A.Ş. at the registration of the Bank as shareholder. In March 2015, investment in share capital of the subsidiary was increased by TRY 175,000 thousand to TRY 255,000 thousand increasing ownership in subsidiary to 99.92%. On 6 June 2018, share capital of subsidiary was increased by TRY 245,000 thousand to TRY 500,000 thousand. The increase was made based on decision of Supervisory Board of the Bank, according to which newly issued shares were acquired by PASHA Holding LLC. As a result, the Bank’s shares in the subsidiary decreased from 99.92% to 50.96% and PASHA Holding LLC became a new non-controlling shareholder with ownership of 49% since 6 June 2018. Head office of PASHA Yatirim Bankasi A.Ş. is located in Istanbul. The activities of the bank are regulated by the Central Bank of the Republic of Turkey (the “CBRT”). During 2023, shares of PASHA Yatirim Bankasi A.Ş. were sold to PASHA Holding LLC. The transfer of shares was settled on 29 December 2023 for a cash consideration of AZN 46,000 thousand and as a result the ratio of shares for the Group decreased from 50.96% to 28.21%, resulting in the Group losing control over its subsidiary and obtaining significant influence over PASHA Yatirim Bankasi A.Ş. As of 30 June 2024, PASHA Yatirim Bankasi A.Ş. is the only associate of the Group.

OJSC PASHA Bank and its Subsidiary (together – “the Group”) were consolidated in these financial statements.

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

2. Basis of preparation

General

These interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

Estimation uncertainty

The Group has reflected revised estimates of expected future cash flows in its expected credit loss (hereafter, "ECL") assessment (Note 6) and estimation of fair values of financial instruments (Note 21).

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 financial statements for the year ended 31 December 2023.

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

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

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

3. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2024 (unaudited)	31 December 2023
Cash on hand	95,710	67,876
Time deposits with credit institutions up to 3 months	1,004,181	878,672
Current accounts with other credit institutions	303,371	402,165
Current accounts with the CBAR and NBG	171,322	607,213
Financial instruments up to 3 months	154,666	–
Reverse repurchase agreements up to 3 months	–	19,633
Less: allowance for impairment	(11)	(1)
Cash and cash equivalents	1,729,239	1,975,558

Current accounts with other credit institutions consist of non-interest-bearing correspondent account balances with resident and non-resident banks in the amount of AZN 1,624 thousand (31 December 2023: AZN 5,327 thousand) and AZN 301,747 thousand (31 December 2023: AZN 396,838 thousand), respectively.

As at 30 June 2024, the Group placed AZN 1,004,181 thousand in time deposits with twenty non-resident and two resident banks maturing through September 2024 (31 December 2023: AZN 878,672 thousand one resident and twelve non-resident banks maturing through March 2024).

Financial instruments up to 3 months consist of Notes issued by the Central Bank of Azerbaijan Republic maturing through September 2024 and US Treasury bonds maturing through July 2024 in the amount of AZN 69,821 and AZN 84,845, respectively.

All balances of cash equivalents are allocated to Stage 1.

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

4. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2024 (unaudited)	31 December 2023
Mandatory reserves with the CBAR and the NBG	1,069,753	1,282,119
Restricted deposits	139,763	158,254
Loans to banks	99,884	64,039
Time deposits with credit institutions for more than 3 months	42,929	93,088
	1,352,329	1,597,500
Less: allowance for impairment	(3,646)	(4,843)
Amounts due from credit institutions	1,348,683	1,592,657

Credit institutions in the Azerbaijan Republic are required to maintain a non-interest earning cash deposit (mandatory reserve) with the CBAR as per following differentiation criteria:

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

The Group's ability to withdraw such deposit is restricted by statutory legislation.

Credit institutions in the Republic of Georgia are required to maintain a mandatory interest earning cash deposit with the NBG at the level of 5.0% (2023: 5.0%) and at a range from 10% to 25% depending on the deposit dollarization rate of a particular commercial bank (31 December 2023: range from 10% to 25%) of the average of funds attracted from customers and non-resident financial institutions for the appropriate two-week period in GEL and foreign currencies, respectively.

As at 30 June 2024, the Group had outstanding amount of AZN 13,981 thousand (31 December 2023: AZN 22,486 thousand) of secured loans issued to one resident commercial banks (31 December 2023: one resident commercial bank) with contractual maturity through March 2024 (31 December 2023: December 2024) and AZN 85,903 thousand (31 December 2023: AZN 41,553 thousand) of unsecured loans issued to one resident and one non-resident commercial banks.

As at 30 June 2024, time deposits with credit institutions mature between July 2024 and March 2025 (31 December 2023: between March 2024 and December 2024).

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

	Stage 1	Stage 3	Total
ECL allowance as at 1 January 2024	(1,944)	(2,899)	(4,843)
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>			
New assets originated or purchased	(407)	-	(407)
Assets repaid	1,671	-	1,671
Changes to model and inputs used for ECL calculation	-	(91)	(91)
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>			
Foreign exchange adjustments	24	-	24
At 30 June 2024 (unaudited)	(656)	(2,990)	(3,646)
	Stage 1	Stage 3	Total
ECL allowance as at 1 January 2023	(541)	(2,812)	(3,353)
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>			
New assets originated or purchased	(490)	-	(490)
Assets repaid	202	2,812	3,014
Foreign exchange adjustments	41	-	41
ECL allowance attributable to assets held for sale	118	-	118
At 30 June 2023 (unaudited)	(670)	-	(670)

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

5. Investment securities

Investment securities comprise:

	30 June 2024 (unaudited)	31 December 2023
Debt securities at FVOCI		
Azerbaijan Mortgage Fund bonds	482,669	496,518
Notes issued by the Central Bank of Azerbaijan Republic	339,515	–
US treasury bonds	126,962	–
Corporate bonds	96,222	75,965
Bonds of the Ministry of Finance of Azerbaijan Republic	80,923	224,924
Bonds of financial institutions	4,983	14,991
Other foreign government bonds	51	54
	1,131,325	812,452
Debt securities at FVOCI		
	30 June 2024 (unaudited)	31 December 2023
Equity securities at FVOCI		
Corporate shares	2,003	2,003
	2,003	2,003
Equity securities at FVOCI		
	2024	2023
Debt securities at amortised cost		
Bonds of the Ministry of Finance of Azerbaijan Republic	563,666	602,621
Bonds of the Ministry of Finance of Azerbaijan Republic pledged under repurchase agreements	218,014	–
Notes of the Central Bank of Azerbaijan Republic	123,500	448,387
Corporate bonds	108,337	70,476
Bonds of financial institutions	78,210	74,490
Other foreign governments' bonds	21,559	21,760
US treasury bonds	17,499	17,287
	1,130,785	1,235,021
Less: allowance for impairment	(934)	(699)
Debt securities at amortised cost	1,129,851	1,234,322

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

5. Investment securities (continued)

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

<i>Debt securities at FVOCI</i>	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2024	(880)	(2,660)	(3,898)	(7,438)
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>				
New assets originated or purchased	(87)	–	–	(87)
Assets repaid or sold	19	1,477	3,148	4,644
Changes to models and inputs used for ECL calculations	8	699	627	1,334
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>				
Foreign exchange adjustment	–	–	17	17
As at 30 June 2024 (unaudited)	(940)	(484)	(106)	(1,530)

<i>Debt securities at FVOCI</i>	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at 1 January 2023	(2,474)	(9,740)	(17,995)	(30,209)
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>				
New assets originated or purchased	(374)	–	–	(374)
Assets repaid or sold	736	4,443	13,992	19,171
Transfer to Stage 2	–	–	–	–
Transfer to Stage 3	–	–	–	–
Changes to models and inputs used for ECL calculations	1,113	1,628	(467)	2,274
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>				
ECL allowance attributable to assets held for sale	(56)	–	–	(56)
Foreign exchange adjustment	98	–	–	98
As at 30 June 2023 (unaudited)	(957)	(3,669)	(4,470)	(9,096)

<i>Debt securities at amortised cost</i>	Stage 1
ECL as at 1 January 2024	(699)
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>	
New assets originated	(342)
Assets repaid	107
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>	
Foreign exchange and other movements	–
As at 30 June 2024	(934)

<i>Debt securities at amortised cost</i>	Stage 1
ECL as at 1 January 2023	(1,547)
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>	
New assets originated	(218)
Assets repaid	14
Changes to models and inputs used for ECL calculations	163
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>	
Foreign exchange and other movements	(7)
ECL allowance attributable to assets held for sale	809
As at 30 June 2023	(786)

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

6. Loans to customers

Loans to customers comprise:

	30 June 2024 (unaudited)	31 December 2023
Legal entities	3,041,746	2,789,858
Individuals	362,947	391,186
Loans to customers (gross)	3,404,693	3,181,044
Less: allowance for impairment	(137,817)	(125,893)
Loans to customers (net)	3,266,876	3,055,151

Loans are made in the following industry sectors:

	30 June 2024 (unaudited)	31 December 2023
Trade and services	1,576,525	1,499,756
Individuals	362,867	391,187
Transport and telecommunication	361,044	332,953
Energy	339,478	114,859
Manufacturing	270,599	268,503
Construction	169,329	183,862
Agriculture and food processing	127,693	154,217
Non-banking credit organizations	106,649	148,489
Mining	67,678	51,212
Real estate management	17,001	28,769
Other	5,830	7,237
Total loans (gross)	3,404,693	3,181,044

As at 30 June 2024, loans granted to top 12 customers (31 December 2023: 9 customers) which individually exceeded 5% of the Group's equity, amounted to AZN 1,169,857 thousand (31 December 2023: AZN 807,376 thousand).

Finance lease receivables

Included in loans to legal entities are finance lease receivables. The analysis of finance lease receivables at 30 June 2024 is as follows:

	Not later than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Later than 5 years
Gross investment in finance leases	2,575	-	-	-	-	-
Unearned future finance income on finance leases	(15)	-	-	-	-	-
Net investment in finance leases	2,560	-	-	-	-	-

Included in loans to legal entities are finance lease receivables. The analysis of finance lease receivables at 31 December 2023 is as follows:

	Not later than 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Later than 5 years
Gross investment in finance leases	9,955	5,958	-	-	-	-
Unearned future finance income on finance leases	(284)	(70)	-	-	-	-
Net investment in finance leases	9,671	5,888	-	-	-	-

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

6. Loans to customers (continued)

An analysis of changes in the ECL allowances during the six months ended 30 June 2024 is, as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2024	(18,486)	(18,858)	(88,549)	–	(125,893)
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>					
New assets originated or purchased	(15,790)	–	–	–	(15,790)
Assets repaid	4,894	7,707	13,275	–	25,876
Transfers to Stage 1	(1,082)	1,057	25	–	–
Transfers to Stage 2	10,887	(11,057)	170	–	–
Transfers to Stage 3	2,386	598	(2,984)	–	–
Impact on period end ECL of exposures transferred between stages during the period	604	(2,429)	(13,810)	–	(15,635)
Changes to models and inputs used for ECL calculations	(212)	56	(2,713)	–	(2,869)
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>				–	
Unwinding of discount (recognised in interest revenue)	–	–	(7,437)	–	(7,437)
Amounts written off	–	–	1,225	–	1,225
Recoveries	–	–	(888)	–	(888)
Sale of portfolio	1,560	412	2,025	–	3,997
Foreign exchange adjustments	611	(1,795)	781	–	(403)
At 30 June 2024 (unaudited)	(14,628)	(24,309)	(98,880)	–	(137,817)

An analysis of changes in the ECL allowances during the six months ended 30 June 2023 is, as follows:

	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2023	(22,448)	(17,987)	(74,035)	–	(114,470)
<i>Movements with impact on credit loss allowance (charge)/reversal in profit or loss</i>					
New assets originated or purchased	(5,991)	–	–	–	(5,991)
Assets repaid	6,608	3,183	18,920	–	28,711
Transfers to Stage 1	(3,934)	3,825	109	–	–
Transfers to Stage 2	5,483	(5,564)	81	–	–
Transfers to Stage 3	39	659	(698)	–	–
Impact on period end ECL of exposures transferred between stages during the period	2,350	(19,954)	(18,798)	–	(36,402)
Changes to models and inputs used for ECL calculations	2,088	3,881	(7,215)	–	(1,246)
<i>Movements without impact on credit loss allowance (charge)/reversal in profit or loss</i>				–	
Unwinding of discount (recognised in interest revenue)	–	–	(4,949)	–	(4,949)
Derecognition of loans at substantial modification	–	–	7,561	–	7,561
Amounts written off	–	–	3,323	–	3,323
Recoveries	–	–	(558)	–	(558)
ECL allowance attributable to assets held for sale	2,936	1,914	931	–	5,781
Foreign exchange adjustments	704	361	122	–	1,187
At 30 June 2023 (unaudited)	(12,165)	(29,682)	(75,206)	–	(117,053)

As at 30 June 2024, cash covered loans consisted 29% of Stage 2 loans and 2% of Stage 3 loans, respectively (31 December 2023: 51% of Stage 2 loans and 6% of Stage 3 loans).

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

6. Loans to customers (continued)

Modified and restructured loans

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be purchased or originated credit impaired asset.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective interest rate, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The table below includes Stage 1, Stage 2 and Stage 3 assets that were modified during the period, with the related modification gain earned by the Group.

	30 June 2024 (unaudited)	30 June 2023 (unaudited)
Loans modified during the period		
Amortised cost before modification	264,717	185,376
Net modification (loss)/gain	(3,692)	5,534

7. Right-of-use assets and lease liabilities

The leases of the Group are represented by buildings used as office premises. The movement in right-of-use assets and lease liabilities during the half-year ended 30 June 2024 were as follows:

	Right-of-use assets	Lease liabilities
As at 1 January 2024	12,297	12,571
Additions	38,267	26,830
Lease modifications	4,408	4,408
Disposal	(836)	(802)
Depreciation expense	(3,858)	-
Interest expense	-	656
Payments	-	(4,265)
Foreign currency translation difference	(12)	91
As at 30 June 2024	50,266	39,489
	Right-of-use assets	Lease liabilities
As at 1 January 2023	17,492	17,676
Additions	639	639
Lease modifications	1,327	1,327
Depreciation expense	(4,279)	-
Interest expense	-	674
Payments	-	(5,174)
Foreign currency translation difference	(25)	(74)
As at 30 June 2023	15,154	15,070

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

8. Other assets and liabilities

Other assets comprise:

	30 June 2024 (unaudited)	31 December 2023
Other financial assets		
Settlements on money transfers	59,981	82,338
Accrued commission receivable on guarantees and letters of credit	3,511	2,000
Other	276	493
	63,768	84,831
Less: allowance for impairment of other financial assets	(1,300)	(1,677)
Total other financial assets	62,468	83,154
Other non-financial assets		
Deferred expenses	5,655	7,383
Reposessed collaterals	12,755	13,652
Purchased miles under loyalty programme	2,908	6,565
Other prepayments	1,191	3,623
Prepayments for acquisition of property, equipment and intangible assets	753	653
Taxes, other than income tax	156	446
Total other non-financial assets	23,418	32,322
Other assets	85,886	115,476

The reposessed collaterals are represented by non-financial assets acquired by the Group in settlement of overdue loans. The reposessed collaterals are recorded at a lower of cost and net realizable value as at 30 June 2024.

Reposessed collaterals comprise:

	30 June 2024 (unaudited)	31 December 2023
Commercial real estate	9,145	9,670
Residential real estate	2,015	2,361
Land	346	351
Other	1,249	1,270
	12,755	13,652

Other liabilities comprise:

	30 June 2024 (unaudited)	31 December 2023
Other financial liabilities		
Settlements on money transfer	20,552	11,328
Accrued expenses	13,311	10,014
Other	1,874	1,092
	35,737	22,434
Other non-financial liabilities		
Payable to employees	36,699	55,255
Deferred income	977	1,037
Taxes, other than income tax	680	831
Other	–	56
Total other non-financial liabilities	38,356	57,179
Other liabilities	74,093	79,613

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

9. Amounts due to banks and government funds

Amounts due to banks and government funds comprise:

	30 June 2024 (unaudited)	31 December 2023
Repurchase agreement	217,733	-
Azerbaijan Mortgage and Credit Guarantee Fund	168,048	154,327
Long-term deposits from banks	168,349	204,594
Entrepreneurship Development Fund of the Republic of Azerbaijan	151,232	171,642
Short-term deposits from banks	66,661	30,701
Correspondent accounts of other banks	52,210	42,421
Long-term loans from banks	11,872	12,097
Agro Credit and Development Agency	9,792	10,919
Deposit from the Ministry of Finance of Georgia	7,593	7,913
Amount due to IT Development Fund	-	102
Other	13,912	11,997
Amounts due to banks and government funds	867,402	646,713

As at 30 June 2024, the Group entered into repurchase agreement and borrowed funds amounting to AZN 217,733 thousand with maturity date 7 August 2024. As at 30 June 2024 for the balance of the borrowed amount the Group pledged its Bonds of the Ministry of Finance of the Republic of Azerbaijan at amortized cost in the amount of AZN 218,014 thousand as collateral (Note 5).

As at 30 June 2024, the Group had loans refinanced from the Azerbaijan Mortgage and Credit Guarantee Fund amounting to AZN 168,048 thousand (31 December 2023: AZN 154,327 thousand), maturing through October 2052 (31 December 2023: through October 2052).

As at 30 June 2024, the Group attracted long-term deposits from resident commercial banks comprising AZN 168,349 thousand (31 December 2023: AZN 204,594 thousand) maturing through November 2025.

As at 30 June 2024, Entrepreneurship Development Fund of the Republic of Azerbaijan had current account amounting to AZN 0 thousand (31 December 2023: AZN 1,443 thousand). The Group had loans received from the Entrepreneurship Development Fund of the Republic of Azerbaijan amounting to AZN 151,232 thousand (31 December 2023: AZN 170,199 thousand), maturing through September 2032 (31 December 2023: through September 2032). The loans were acquired for the purposes of assistance in gradually improving entrepreneurship environment in Azerbaijan under the government program.

As at 30 June 2024, the Group attracted short-term deposits from resident and non-resident commercial banks (31 December 2023: two resident) comprising AZN 66,661 thousand (31 December 2023: AZN 30,701 thousand) maturing through July 2024 (31 December 2023: February 2024).

As at 30 June 2024, the Group received long-term loan from resident commercial banks (31 December 2024: one resident and one non-resident commercial bank) comprising AZN 11,872 thousand (31 December 2023: AZN 12,097 thousand) maturing through January 2025 (31 December 2023: August 2026).

As at 30 June 2024, the Group had loans received from the Agro Credit and Development Agency amounting to AZN 9,792 thousand (31 December 2023: AZN 10,919 thousand), maturing through June 2024 (31 December 2023: November 2028).

As at 30 June 2024, the Group had deposit from Ministry of Finance of Georgia amounting AZN 7,593 thousand (31 December 2023: AZN 7,913 thousand) maturing through January 2028 (31 December 2023: January 2028).

10. Amounts due to customers

The amounts due to customers include the following:

	30 June 2024 (unaudited)	31 December 2023
Demand deposits	4,743,024	5,258,474
Time deposits	2,136,663	1,917,978
Amounts due to customers	6,879,687	7,176,452
Held as security against guarantees issued (Note 15)	75,193	32,216

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

10. Amounts due to customers (continued)

An analysis of customer accounts by economic sector follows:

	30 June 2024 (unaudited)	31 December 2023
Individuals	1,818,425	1,678,876
Trade and services	1,263,529	1,297,734
Mining	1,211,108	1,560,964
Transport and communication	741,048	787,616
Investment holding companies	593,671	656,834
Manufacturing	389,371	325,945
Construction	212,111	154,883
Insurance	169,454	191,196
Energy	151,739	149,046
Agriculture	54,720	65,643
Non-banking credit organizations	49,923	45,157
Hotel business	38,146	44,373
Public organizations	30,470	59,021
Other	155,972	159,164
Amounts due to customers	6,879,687	7,176,452

As at 30 June 2024, customer deposits included balances with sixteen (31 December 2023: eleven) largest customers with balances above AZN 100,000 comprised AZN 3,804,114 thousand or 57% of the total customer deposits portfolio (31 December 2023: AZN 4,227,561 thousand or 59% of the total customer deposits portfolio).

11. Subordinated debts

As of 30 June 2024, the amount of subordinated debts represents USD denominated subordinated loans of AZN 99,088 thousand (31 December 2023: AZN 96,016) maturing through December 2025 and March 2031 (31 December 2023: through August 2027 and April 2029).

12. Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period end and are not indicative of the credit risk.

	30 June 2024 (unaudited)			31 December 2023		
	Notional amount	Fair values		Notional amount	Fair value	
		Asset	Liability		Asset	Liability
Interest rate contracts						
Forwards and swaps – foreign	78,755	395	(477)	87,750	416	(716)
Foreign exchange contracts						
Forwards and swaps – foreign	299,670	–	(13,280)	302,977	1,241	(6,073)
Forwards and swaps – domestic	350,478	13,616	(287)	318,687	7,138	(1,871)
Options – domestic	33,277	41	–	53,498	85	–
Commodity contracts						
Futures – foreign	205,868	3,387	(290)	8,551	58	(394)
Futures – domestic	206,458	335	(2,585)	111,688	411	(155)
Total derivative assets/ (liabilities)		17,774	(16,919)		9,349	(9,209)

Foreign and domestic in the table above stand for counterparties where foreign means non-Azerbaijani entities and domestic means Azerbaijani entities. As at 30 June 2024 and 31 December 2023, the Group has positions in the following types of derivatives:

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

12. Derivative financial instruments (continued)

Forwards and futures

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument or commodity at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Swaps

Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

13. Taxation

The corporate income tax expense comprises:

	<i>For six months ended (unaudited)</i>	
	<i>30 June 2024</i>	<i>30 June 2023</i>
Current tax charge	(28,937)	(31,276)
Deferred tax charge – origination and reversal of temporary differences	(825)	(3,542)
Less: deferred tax recognised in other comprehensive income	313	135
Income tax expense	(29,449)	(34,683)

As at 30 June 2024, current income tax liabilities and deferred income tax assets of the Group were AZN 7,575 thousand and AZN 15,819 thousand, respectively (31 December 2023: current income tax liabilities of AZN 28,898 thousand, deferred income tax liabilities AZN 0 thousand and deferred income tax assets AZN 17,011).

14. Equity

As at 30 June 2024 and 31 December 2023, the Group's authorized, issued and fully paid capital amounted to AZN 354,512 thousand comprising of 10,646 ordinary shares with a par value of AZN 33,300 per ordinary share. Each ordinary share entitles one vote to the shareholder.

On 8 June 2023 the Group declared dividends totalling AZN 30,000 thousand on ordinary shares (AZN 2,818 per share) which was paid as at 30 June 2023.

On 10 May 2024, the Group declared dividends totalling AZN 100,000 thousand on ordinary shares (AZN 9,393 per share) which was paid as at 30 June 2024.

Additional paid-in capital

As at 30 June 2024 and 31 December 2023, additional capital of AZN 343 thousand represents gain from fair value at initial recognition measurement of subordinated debts of AZN 8,531 thousand, borrowed from entities under common control.

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

14. Equity (continued)

Foreign currency translation reserve

Foreign currency translation reserve is used to record exchange difference arising from the translation of the financial statements of foreign subsidiary or associate. Additionally, it includes the net impact from inflation adjustment of PASHA Yatirim Bankasi A. Ş.net assets.

Other reserves

As of 30 June 2024, other reserves of AZN 4,016 thousand represents difference between cash consideration received and transfer of portion of net assets of PASHA Bank Georgia JSC to non-controlling interests adjusted for foreign currency translation reserve at the date of transaction.

As of 30 June 2024, the total reserve amounted to AZN 4,016 thousand AZN (31 December 2023: AZN 4,016 thousand).

Unrealised loss on investment securities

This reserve records fair value and ECL changes on investment securities at FVOCI which amounted to AZN 2,016 thousand (31 December 2023: AZN 3,118 thousand) of loss.

15. 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 led to significant inflationary pressures to the global economy in 2023, including soaring commodity prices. The effect on the economies in which the Group operates is presented as follows.

The Azerbaijan Republic

During the first half of 2024, the Azerbaijani economy continued to navigate through the challenges and opportunities posed by fluctuating oil and gas prices. The Government of Azerbaijan sustained its efforts in implementing major economic and social reforms aimed at diversifying the economy and reducing dependence on the oil and gas sector.

The overall economy expanded by 4.3% in the first half of the year, with oil sector output rising by 0.6% and non-oil sector output by 6.9%. Strategic foreign exchange reserves of Azerbaijan increased by 3% and amounted to 69.7 billion US dollars during the period. All these influxes contributed to the stability of the Azerbaijani manat and supported economic resilience.

According to the CBAR, the inflation level for the first half of 2024 was 0.7% which is below annual target inflation level of 4+2%. The CBAR continued its efforts to manage monetary conditions and maintain the stability of the Azerbaijani manat. The policy rate was adjusted in response to global inflation trends, with the refinancing rate set at 7.25% as of 30 June 2024 (31 December 2023: 8%).

Fitch Ratings upgraded credit rating of Azerbaijan Republic to 'BBB-' in July 2024 due to effectiveness of economic policy in recent years, strong fiscal performance and high hydrocarbon prices.

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 solvency 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 Republic of Georgia

Over the last few years the Georgian Government has made a number of developments in order to positively affect the overall investment climate of the country, specifically implementing the reforms necessary to create banking, judicial, taxation and regulatory systems. The existing tendency aimed at the overall improvement of the business environment is expected to persist. The future stability of the Georgian economy is largely dependent upon these reforms and developments, and the effectiveness of economic, financial and monetary measures undertaken by the Government. However, the Georgian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world.

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

15. Commitments and contingencies (continued)

Operating environment (continued)

The Republic of Georgia (continued)

According to the preliminary estimates published by the National Statistics Office of Georgia, as of June 2024 growth of GDP amounted 7.5%, resulting in six-month average growth of 9.0%. Major contributing factors to the growth have been financial and insurance activities, construction, information and communication, professional, transportation and storage, scientific and technical activities. Declines were observed in manufacturing. Based on the preliminary findings of IMF staff mission to Georgia, the projected real GDP growth is 5.7% for 2024.

The management maintains strong liquidity positions supported by the NBG's measures to strengthen banking sector resilience amidst the crisis. The Bank continues to assess the effect of changing micro- and macroeconomic conditions on its activities, financial position and financial results.

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

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

Management believes that its interpretation of the relevant legislation as at 30 June 2024 is appropriate and that the Group's tax, currency and customs positions will be sustained.

Compliance with regulatory ratios

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

- a) Ratio of maximum credit exposure to one related party legal entity of the bank or their representatives should not exceed 10% of total capital. As at 30 June 2024 Bank is in breach;
- b) Ratio of maximum credit exposure of total related party loans of the bank or their representatives should not exceed 20% of total capital. As at 30 June 2024 Bank is in breach.

Both breaches were caused by the issuance of cash covered loan to the related party.

- c) As at 31 December 2023, the Bank was in breach of the ratio of maximum credit exposure of a bank per a single borrower or a group of related borrowers on unsecured loan that should not exceed 10% of Tier 1 capital. The breach has been resolved as at 30 June 2024.

The Bank submitted information regarding abovementioned breaches to the regulator on a monthly basis. The Bank is in continuous discussions with the CBAR to agree the remediation measures for each of these breaches. No sanctions have been imposed on the Bank in relation to these breaches as at 30 June 2024. Management believes that the Bank will not face any sanctions in the foreseeable future in respect of these breaches.

NBG requires banks to maintain certain prudential ratios computed based on statutory financial statements. As at 30 June 2024 and 31 December 2023, PASHA Bank Georgia JSC was in compliance with these ratios.

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

15. Commitments and contingencies (continued)

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.

Financial commitments and contingencies comprise:

	30 June 2024 (unaudited)	31 December 2023
Credit-related commitments		
Guarantees issued	298,400	256,824
Unused credit lines	300,647	311,420
Letters of credit	5,183	13,664
	604,230	581,908
Performance guarantees	443,582	433,172
Commitments and contingencies	1,047,812	1,015,080
Provision for ECL for credit related commitments	(4,342)	(6,368)
Provisions for ECL of performance guarantees	(3,792)	(5,025)
Cash held as security against guarantees issued (Note 10)	(75,193)	(32,216)

An analysis of changes in the ECL of credit related commitments excluding performance guarantees during the period ended 30 June 2024 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(3,586)	(2,135)	(647)	(6,368)
New exposures	(2,678)	-	-	(2,678)
Exposures derecognised or matured (excluding write-offs)	2,735	1,283	226	4,244
Transfers to Stage 1	(129)	129	-	-
Transfers to Stage 2	1,034	(1,039)	5	-
Transfers to Stage 3	217	1	(218)	-
Impact on period end ECL of exposures transferred between stages during the period	120	(442)	(21)	(343)
Changes to inputs used for ECL calculations	(14)	317	(8)	295
Foreign exchange adjustments	557	(48)	(1)	508
At 30 June 2024 (unaudited)	(1,744)	(1,934)	(664)	(4,342)

An analysis of changes in the ECL for performance guarantees during the period ended 30 June 2024 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(900)	(733)	(3,392)	(5,025)
New exposures	(831)	-	-	(831)
Exposures derecognised or matured (excluding write-offs)	162	77	1,254	1,493
Transfers to Stage 1	(141)	141	-	-
Transfers to Stage 2	277	(310)	33	-
Transfers to Stage 3	-	-	-	-
Impact on period end ECL of exposures transferred between stages during the period	138	(45)	-	93
Changes to inputs used for ECL calculations	324	279	(125)	478
As at 30 June 2024 (unaudited)	(971)	(591)	(2,230)	(3,792)

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

15. Commitments and contingencies (continued)

Financial commitments and contingencies (continued)

An analysis of changes in the ECL of credit related commitments excluding performance guarantees during the period ended 30 June 2023 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	(2,513)	(1,926)	(2,796)	(7,235)
New exposures	(3,019)	-	-	(3,019)
Exposures derecognised or matured (excluding write-offs)	577	433	1,493	2,503
Transfers to Stage 1	(1,203)	1,002	201	-
Transfers to Stage 2	2,209	(2,410)	201	-
Transfers to Stage 3	124	7	(131)	-
Impact on period end ECL of exposures transferred between stages during the period	739	(669)	(517)	(447)
Changes to inputs used for ECL calculations	17	281	26	324
Amounts paid/conversion into loan	-	-	937	937
Foreign exchange adjustments	792	(8)	-	784
At 30 June 2023 (unaudited)	(2,277)	(3,290)	(586)	(6,153)

An analysis of changes in the ECL for performance guarantees during the period ended 30 June 2023 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2023	(2,564)	(707)	(104)	(3,375)
New exposures	(1,942)	-	-	(1,942)
Exposures derecognised or matured (excluding write-offs)	201	98	75	374
Transfers to Stage 1	(208)	208	-	-
Transfers to Stage 2	782	(782)	-	-
Transfers to Stage 3	1,110	49	(1,159)	-
Impact on period end ECL of exposures transferred between stages during the period	189	(45)	(337)	(193)
Changes to inputs used for ECL calculations	1,039	251	(4)	1,286
As at 30 June 2023 (unaudited)	(1,393)	(928)	(1,529)	(3,850)

16. Investments in associates

The following associate is accounted for under the equity method:

Associates	Ownership/ voting, %	Principal place of business	Country of incorporation	Nature of activities	Carrying value
30 June 2024					
PASHA Yatirim Bankasi A.Ş.	28.21%	Turkey	Turkey	Banking	26,858
31 December 2023					
PASHA Yatirim Bankasi A.Ş.	28.21%	Turkey	Turkey	Banking	30,210

At 30 June 2024 the share of loss of an associate of AZN 43 thousand (2023: AZN 0 thousand) has been recorded in the consolidated statement of profit or loss.

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

16. Investments in associates (continued)

An analysis of changes in the investment in associate balance during the period ended 30 June 2023 is as follows :

	2024
Investment in associates as at 1 January	30,210
Investment made during the year	-
Share of net loss of an associate	(43)
Share of other comprehensive loss of an associate	(150)
Foreign currency translation difference	3,719
Impairment of investment in an associate	(6,878)
As at 30 June (unaudited)	26,858

Assets and liabilities of the associate (PASHA Yatirim Bankasi A.Ş.)	30 June 2024 (unaudited)	31 December 2023
Assets	576,472	602,879
Liabilities	(456,884)	(495,790)
Net assets	119,588	107,089

Revenues and expenses of the associate (PASHA Yatirim Bankasi A.Ş.)	30 June 2024 (unaudited)	30 June 2023
Revenues	21,511	-
Expenses	(21,664)	-
Net loss for the period	(153)	-
Other comprehensive income	(532)	-

The Bank reassessed value in use of its investment in PASHA Yatirim Bankasi A.Ş as at 30 June 2024. The remeasurement lead to impairment of investment in associate in the amount of AZN 6,878 thousand.

17. Credit loss expense and other impairment and provision

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the six months period ended 30 June 2024:

	Note	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents		(1)	-	-	(1)
Amounts due from credit institutions	4	1,262	-	(89)	1,173
Investment securities at FVOCI	5	(77)	2,194	3,774	5,891
Investment securities at amortised cost	5	(235)	-	-	(235)
Loans to customers at amortised cost	6	1,687	(4,068)	(6,037)	(8,418)
Credit loss on financial assets		2,636	(1,874)	(2,352)	(1,590)

The table below shows the ECL charges on credit related commitments and other financial assets recorded in the consolidated statement of profit or loss for the six months period ended 30 June 2024:

	Note	Stage 1	Stage 2	Stage 3	Total
Credit related commitments excluding performance guarantees	7	1,285	249	(16)	1,518
Other financial assets	14	377	-	-	377
Performance guarantees	7	(71)	142	1,162	1,233
Total provision on credit related commitments and other financial assets		1,591	391	1,146	3,128

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

17. Credit loss expense and other impairment and provision (continued)

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the six months period ended 30 June 2023:

	<i>Note</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Cash and cash equivalents	3	(27)	–	–	(27)
Amounts due from credit institutions	4	(288)	–	2,812	2,524
Investment securities at FVOCI	5	1,475	6,071	13,525	21,071
Investment securities at amortised cost	5	(41)	–	–	(41)
Loans to customers at amortised cost	6	6,643	(13,970)	(7,601)	(14,928)
Credit loss on financial assets		7,762	(7,899)	8,736	8,599

The table below shows the ECL charges on credit related commitments and other financial assets recorded in the consolidated statement of profit or loss for the six months period ended 30 June 2023:

	<i>Note</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Credit related commitments excluding performance guarantees	7	(556)	(1,356)	1,273	(639)
Other financial assets	14	329	–	–	329
Performance guarantees	7	1,171	(221)	(1,425)	(475)
Total provision on credit related commitments and other financial assets		944	(1,577)	(152)	(785)

Allowance for impairment of other assets is deducted from the carrying amounts of the related assets. Provision for ECL for credit related commitments are recorded in liabilities.

18. Net fee and commission income

Net fee and commission income comprises:

	<i>For six months ended (unaudited)</i>	
	<i>30 June 2024</i>	<i>30 June 2023</i>
Servicing plastic card operations	51,182	42,181
Settlements operations	13,511	13,234
Guarantees and letters of credit	9,373	9,009
Cash operations	3,547	3,903
Other	583	1,184
Fee and commission income	78,196	69,511
Servicing plastic card operations	(52,295)	(40,564)
Settlements operations	(4,673)	(4,848)
Guarantees and letters of credit	(981)	(1,070)
Cash operations	(748)	(668)
Securities operations	(294)	(89)
Other	–	(1,987)
Fee and commission expense	(58,991)	(49,226)
Net fee and commission income	19,205	20,285

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

19. Personnel, general and administrative expenses

Personnel expenses comprise:

	<i>For six months ended (unaudited)</i>	
	<i>30 June 2024</i>	<i>30 June 2023</i>
Salaries and bonuses	(48,252)	(49,200)
Social security costs	(6,865)	(6,849)
Other employee related expenses	(2,180)	(1,987)
Total personnel expenses	(57,297)	(58,036)

General and administrative expenses comprise:

	<i>For six months ended (unaudited)</i>	
	<i>30 June 2024</i>	<i>30 June 2023</i>
Software cost	(5,974)	(5,955)
Professional services	(5,178)	(4,001)
Insurance	(4,687)	(4,299)
Loyalty miles	(2,706)	(2,383)
Advertising costs	(1,573)	(1,819)
Operating leases	(1,135)	(217)
Communications	(1,119)	(869)
Taxes, other than income tax	(787)	(1,036)
Utilities	(1,263)	(1,028)
Stationery	(543)	(569)
Security expenses	(446)	(464)
Transportation and business trip expenses	(370)	(487)
Entertainment	(370)	(152)
Repair and maintenance	(349)	(372)
Membership fees	(91)	(310)
Printing expenses	(12)	(3)
Charity and sponsorship	(8)	(178)
Other expenses	(428)	(474)
Total general and administrative expenses	(27,039)	(24,616)

20. Other impairment and write-down

Impairment and write-down for the year ended 31 December comprise the following:

	<i>2024</i>	<i>2023</i>
Impairment of investment in associate	(6,878)	-
Reversal of write-down/(write down) of repossessed collaterals	1,509	(687)
Total other impairment and write-down	(5,369)	(687)

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

21. Fair values measurement

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.

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

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 2024	132,530	1,000,798	–	1,133,328
Derivative financial assets	30 June 2024	–	17,774	–	17,774
Assets for which fair values are disclosed					
Investment securities measured at amortised cost	30 June 2024		1,091,408	37,551	1,128,959
Loans to customers	30 June 2024			3,328,566	3,328,566
Liabilities measured at fair value					
Derivative financial liabilities	30 June 2024		16,919		16,919
Liabilities for which fair values are disclosed					
Amounts due to banks and government funds	30 June 2024		828,095	45,716	873,811
Amounts due to customers	30 June 2024		106,131	6,735,335	6,841,466
Debt securities issued	30 June 2024				
Subordinated debts	30 June 2024			98,801	98,801
Assets measured at fair value					
Investment securities – at FVOCI	31 December 2023	42,350	772,105	–	814,455
Investment securities – at FVTPL	31 December 2023	–	–	–	–
Derivative financial assets	31 December 2023	–	9,349	–	9,349
Assets for which fair values are disclosed					
Investment securities measured at amortised cost	31 December 2023	17,287	1,179,266	37,624	1,234,177
Loans to customers	31 December 2023	–	–	3,102,718	3,102,718

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

21. Fair values measurement (continued)

Fair value hierarchy (continued)

	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2023	-	9,209	-	9,209
Liabilities for which fair values are disclosed					
Amounts due to banks and government funds	31 December 2023	-	597,231	48,920	646,151
Amounts due to customers	31 December 2023	-	69,976	7,121,129	7,191,105
Debt securities issued	31 December 2023	-	-	-	-
Subordinated debts	31 December 2023	-	-	95,846	95,846

Recurring fair value measurements

The following is a description of the determination of fair value for recurring fair value measurements which are recorded using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts and options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Options are valued using Black-Scholes model or its modifications for non-vanilla options. As model inputs, market observable parameters are used. In the case of absence of active market, model them using conservative approach. Models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Investment securities

Investment securities valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include quoted prices from inactive markets or yield curves derived from inactive markets for the same currency.

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. For the remaining financial instruments, their carrying value approximates their fair value. The table does not include the fair values of non-financial assets and non-financial liabilities.

	30 June 2024 (unaudited)			31 December 2023		
	Carrying value	Fair value	Unrecognised gain/(loss)	Carrying value	Fair value	Unrecognised gain/(loss)
Financial assets						
Investment securities measured at amortised cost	1,129,851	1,128,959	(892)	1,234,322	1,234,177	(145)
Loans to customers	3,266,876	3,328,566	61,690	3,055,151	3,102,718	47,567
Financial liabilities						
Amounts due to banks and government funds	867,402	873,811	(6,409)	646,713	646,151	562
Amounts due to customers	6,879,687	6,841,466	38,221	7,176,452	7,191,105	(14,653)
Subordinated debts	99,088	98,801	287	96,016	95,846	170
Total unrecognised change in unrealised fair value			92,897			33,501

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

21. Fair values measurement (continued)

Valuation techniques and assumptions

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Fixed and variable rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.

Assets for which fair value approximates carrying value

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

Fixed and variable rate financial instruments

For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

22. 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 effected on the same terms, conditions and amounts as transactions between unrelated parties.

The volumes of related party transactions, outstanding balances at 30 June 2024, and related expense and income for the period are as follows:

	30 June 2024 (unaudited)					31 December 2023				
	Share-holders/ Ultimate owners	Entities under common control	Key manage- ment personnel	Other	Total	Share-holders/ Ultimate owners	Entities under common control	Key manage- ment personnel	Other	Total
Cash and cash equivalents	-	1,646	-	-	1,646	-	5,735	-	-	5,735
Loans, gross	-	446,811	1,162	85,635	533,608	-	460,752	5,362	75,045	541,159
Less: allowance for impairment	-	(662)	(1)	(6,004)	(6,667)	-	(2,487)	(34)	(6,966)	(9,487)
Loans, net	-	446,149	1,161	79,631	526,941	-	458,265	5,328	68,079	531,672
Amounts due to banks and government funds	-	22,219	289	-	22,508	4,925	9,259	3,791	539	18,514
Amounts due to customers	526,203	1,144,464	13,270	445,375	2,129,312	709,349	1,473,052	21,671	1,115,495	3,319,567
Other assets	-	8,988	-	25	9,013	-	78	-	32	110
Investment securities	-	2,003	-	-	2,003	-	2,003	-	-	2,003
Lease liabilities	-	35,433	-	-	35,433	-	11,448	-	-	11,448
Derivative financial assets	-	14,008	-	-	14,008	-	8,263	-	-	8,263
Derivative financial liabilities	-	-	-	-	-	-	49	-	-	49
Other liabilities	-	10,101	-	773	10,874	3,250	6,875	-	693	10,818
Subordinated debts	17,179	51,696	835	1,052	70,762	17,181	46,145	925	1,307	65,558
Guarantees issued	-	21,651	-	14,757	36,408	-	28,906	-	20,468	49,374
Letters of credit issued	-	1,010	-	30	1,040	-	2,521	-	6,556	9,077
Unused credit lines	-	16,611	672	1,559	18,842	-	38,434	128	15,178	53,740

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

22. Related party disclosures (continued)

	<i>For the six months ended (unaudited)</i>									
	<i>30 June 2024</i>					<i>30 June 2023</i>				
	<i>Share-holders/ Ultimate owners</i>	<i>Entities under common control</i>	<i>Key manage- ment personnel</i>	<i>Other</i>	<i>Total</i>	<i>Share-holders/ Ultimate owners</i>	<i>Entities under common control</i>	<i>Key manage- ment personnel</i>	<i>Other</i>	<i>Total</i>
Interest income on loans	–	10,733	32	3,739	14,504	–	13,122	167	3,180	16,469
Interest expense	(1,725)	(5,826)	(49)	(1,007)	(8,607)	(3,965)	(5,562)	(213)	(1,210)	(10,950)
Credit loss (expense)/gain on financial assets	–	(4,824)	(19)	(2,583)	(7,426)	–	(3,993)	(21)	(3,652)	(7,666)
Net gains from foreign currencies: dealing	769	2,123	23	541	3,456	239	1,275	30	920	2,464
Net losses from foreign currencies: translation differences	166	3,913	–	–	4,079	(39)	6,521	–	–	6,482
Net gains from foreign currencies: operations with foreign currency derivatives	–	8,077	–	65	8,142	–	4,398	–	402	4,800
General and administrative expenses	–	(5,043)	–	(3)	(5,046)	(17)	(3,897)	2	(3)	(3,915)
Fee and commission income	450	11,019	52	1,073	12,594	426	8,393	66	1,585	10,470
Fee and commission expense	–	(11,324)	–	(12)	(11,336)	(6)	(11,071)	–	(13)	(11,090)
Gain at initial recognition of financial instruments	–	–	–	–	–	–	1,265	–	–	1,265
Net gain on modification of financial assets measured at amortised cost	–	(2,286)	–	–	(2,286)	–	4,916	–	–	4,916
Other income	–	1	–	500	501	–	–	–	–	–

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

	<i>For six months ended (unaudited)</i>	
	<i>30 June 2024</i>	<i>30 June 2023</i>
Salaries and other benefits	(7,706)	(8,282)
Social security costs	(1,074)	(1,218)
Total key management compensation	(8,780)	(9,500)

23. Changes in liabilities arising from financing activities

	<i>Note</i>	<i>Debt securities issued</i>	<i>Subordinated debts</i>	<i>Total</i>
Carrying amount as at 1 January 2023		86,703	155,589	242,292
Hyperinflation effect		(20,472)	(9,953)	(30,425)
Proceeds from issue		58,133	–	58,133
Redemption		(90,817)	(18,700)	(109,517)
Foreign currency translation		17,132	11,497	28,629
Other		467	–	467
Decrease through disposal of subsidiary		(51,146)	(42,417)	(93,563)
Carrying amount as at 31 December 2023	11	–	96,016	96,016
Proceeds from issue		–	2,315	2,315
Redemption		–	(124)	(124)
Foreign currency translation		–	874	874
Other		–	7	7
Carrying amount as at 30 June 2024	11	–	99,088	99,088

(Figures in tables are in thousands of Azerbaijani manats, unless otherwise indicated)

24. 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 monitored using, among other measures, the ratios established by the CBAR, NBG and BRSA. During the past period, the Group had complied in full with all its externally imposed capital requirements.

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 maximise 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.

CBAR capital adequacy ratio

The CBAR requires banks to maintain a minimum capital adequacy ratio of 6.0% (2023: 6.0%) and 12.0% (2023: 12.0%) for Tier 1 Capital and Total Capital, respectively, based on its guidelines.

	30 June 2024 <i>(unaudited)</i>	31 December 2023
Tier 1 capital	645,278	544,698
Tier 2 capital	214,621	326,096
Less: deductions from capital	(113,365)	(113,365)
Total regulatory capital	746,534	757,429
Risk-weighted assets	3,636,420	3,916,710
Capital adequacy ratio (Tier 1)	17.74%	13.91%
Capital adequacy ratio (Total Capital)	20.53%	19.34%

NBG capital adequacy ratio

The NBG requires PASHA Bank Georgia JSC to maintain a minimum total capital adequacy ratio of 21.49% (31 December 2023: 19.67%) and Tier 1 Capital ratio of 17.30% (31 December 2023: 15.65%) of risk-weighted assets, computed based on Basel III requirements. As at 30 June 2024 the PASHA Bank Georgia's capital adequacy ratio and Tier 1 Capital ratio calculated on this basis were 21.71% (31 December 2023: 21.07%) and 18.19% (31 December 2023: 17.67%) respectively.