“International” NBCO CJSC

International Financial Reporting Standards
Financial Statements and
Independent Auditor’s Report

December 31, 2020

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Independent Auditor's Report

To the Shareholder and the Board of Directors of "International" NBCO CJSC:

Opinion

We have audited the financial statements of "International" NBCO CJSC (hereinafter the "Organisation"), which comprise the statement of financial position as at December 31, 2020 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the "International" NBCO CJSC (hereinafter the "Organisation") as of December 31, 2020, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organisation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, management is responsible for assessing the Organisation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organisation or to cease operations, or have no realistic alternative but to do so.
Those charged with corporate governance are responsible for overseeing the preparation process of Organisation's financial reporting.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Organisation to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

April 08, 2021
Baku, Azerbaijan Republic

RSM Azerbaijan

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Organization as at December 31, 2020, the result so its operations, cash flows and changes in equity for the year ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- If it is expected that the Organization will continue its activities under normal conditions in the near future, it is responsible for the preparation of financial statements based on the principle of continuity of financial statements activity as of the reporting date.

Management is also responsible for:

- Organizing, implementing and protecting an effective and high-level internal control system, throughout the Organization;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Organization, and which enable them to ensure that the financial statements of the Organization comply with IFRS;
- Maintaining statutory accounting records incompliance with legislation and accounting standards of the countries where Organization's entities operate;
- Taking such steps as are reasonably available to them to safeguard the assets of the Organization; and
- Detecting and preventing fraud, errors and other irregularities.

The financial statements for the year ended December 31, 2020 were approved by the Management of the Organization on April 08, 2021.

On behalf of the Board of Directors:

Nijat Hasanov
Chairman of Management Board

Lala Zulfugarova
Chief Accountant

"International" NBCO CJSC
Statement of Financial Position
As at December 31, 2020

In Azerbaijani Manats	**Note**	**December 31, 2020**	**December 31, 2019**
Assets			
Cash and cash equivalents	6	631,011	811,166
Loans and advances to customers	7	12,403,782	9,353,900
Property, plant and equipment	8	810,754	307,618
Intangible assets	8	20,143	10,892
Right-of-use assets	9	810,680	-
Other assets	10	21,210	14,713
Deferred tax asset	20	35,746	45,478
Total assets		**14,733,326**	**10,543,767**
Liabilities			
Borrowings	11	5,470,176	5,645,071
Debt securities	12	4,948,612	3,930,570
Current profit tax liability		30,767	14,147
Lease liabilities	9	817,200	-
Other liabilities	13	493,073	182,393
Total liabilities		**11,759,828**	**9,772,181**
Equity			
Share capital	14	3,000,000	1,000,000
Accumulated loss		(26,502)	(228,414)
Total equity		**2,973,498**	**771,586**
Total liabilities and equity		**14,733,326**	**10,543,767**

Approved for issue and signed on behalf of the Board of Directors on April 08, 2021

Nijat Hasanov
Chairman of the Board

Lala Zulfugarova
Chief Accountant

"International" NBCO CJSC
Statement of Profit or Loss and Other Comprehensive Income
For the year ended December 31, 2020

In Azerbaijani Manats	Note	For the year ended December 31, 2020	For the year ended December 31, 2019
Interest income	15	6,478,113	4,641,656
Interest expense	15	(1,467,628)	(1,396,060)
Net interest income		**5,010,485**	**3,245,596**
Provision for impairment losses on interest bearing assets	7	(425,283)	(536,757)
Net interest income after provision for loan impairment		**4,585,202**	**2,708,839**
Fee and commission income	16	140,809	132,691
Fee and commission expense	17	(92,160)	(81,370)
Advertising expenses	19	(1,229,513)	(448,257)
Staff cost		(1,299,129)	(745,967)
Collateral valuation expenses		(119,228)	(451,810)
Other operating expenses	18	(779,614)	(598,094)
Acquisition cost		(941,921)	(491,295)
Other income		6,000	-
Profit before tax		**270,446**	**24,737**
Income tax (expense)/gain	20	(68,534)	(10,838)
Profit for the year		**201,912**	**13,899**
Other comprehensive income for the year		-	-
Total Profit and other comprehensive income for the year		**201,912**	**13,899**

Approved for issue and signed on behalf of the Board of Directors on April 08, 2021.

Nijat Hasanov
Chairman of the Board

Lala Zulfugarova
Chief Accountant

"International" NBCO CJSC
Statement of Changes in Equity
For the year ended December 31, 2020

In Azerbaijani Manats	Share capital	Accumulated loss	Total equity
Balance at December 31, 2018	**1,000,000**	**(242,313)**	**757,687**
Total profit for the year 2019	-	13,899	**13,899**
Balance at December 31, 2019	**1,000,000**	**(228,414)**	**771,586**
Increasing at share capital	2,000,000	-	**2,000,000**
Total profit for the year 2020	-	201,912	**201,912**
Balance at December 31, 2020	**3,000,000**	**(26,502)**	**2,973,498**

Approved for issue and signed on behalf of the Board of Directors on April 08, 2021.

Nijat Hasanov
Chairman of the Board

Lala Zulfugarova
Chief Accountant

BANK OLMAYAN KREDİT TƏŞKİLATI "INTERNATIONAL" QAPALI SƏHMDAR CƏMİYYƏTİ

"International" NBCO CJSC
Statement of Cash Flows
For the year ended December 31, 2020

In Azerbaijani Manats	Note	For the year ended December 31, 2020	For the year ended December 31, 2019
Cash flows from operating activities			
Profit/(Loss) before income tax		270,446	24,737
Adjustments for:			
Other income		(6,000)	-
Provision for impairment losses on interest bearing assets	7	425,283	536,757
Depreciation and amortisation expense	8	179,065	114,665
Depreciation of right-of-use assets	9	47,188	-
Interest income	15	(6,478,113)	(4,641,656)
Interest expense	15	1,467,628	1,396,060
Cash flows from operating activities before changes in operating assets and liabilities		**(4,094,503)**	**(2,569,437)**
Net decrease in restricted cash		-	357,000
Net increase in loans and advances to customers	7	(3,446,122)	(2,715,831)
Net increase in other assets	10	(6,497)	(10,351)
Net increase in other liabilities	13	310,680	2,412
Paid income tax		(42,181)	(30,475)
Interest received		6,449,069	4,426,760
Interest expense		(1,475,630)	(1,394,563)
Net cash from operating activities		**(2,305,184)**	**(1,934,485)**
Cash flows from investing activities			
Acquisition of intangible assets		(12,000)	-
Acquisition of property, plant and equipment	8	(679,452)	(254,101)
Proceeds from sale of fixed assets		6,000	-
Net cash used in investing activities		**(685,452)**	**(254,101)**
Cash flows from financing activities			
Net increase in share capital		2,000,000	-
Payment from principal amount of lease liability		(40,668)	-
Net (decrease)/increase in borrowings	11	(174,851)	1,963,060
Net increase/(decrease) in debt securities	12	1,026,000	(45,000)
Net cash from financing activities		**2,810,481**	**1,918,060**
Effect of changes in foreign exchange rate on cash and cash equivalents		-	-
Net decrease in cash and cash equivalents		**(180,155)**	**(270,526)**
Cash and cash equivalents at the beginning of the period	6	**811,166**	**1,081,692**
Cash and cash equivalents at the end of the period	6	**631,011**	**811,166**

Approved for issue and signed on behalf of the Board of Directors on April 08, 2021.

1. Introduction

Organisation and operations

“International” NBCO CJSC (the “Organisation”), a relief and development Organisation, was established in 2013 by shareholders to provide sustainable lending services to those sole traders who are not able to access credit facilities through the conventional banking system. The Organisation helps in the development of the economy of Azerbaijan by providing credit to individuals to grow their businesses and improve their economic situation.

The Organisation was registered by the Ministry of Tax of the Azerbaijan Republic on January 26, 2013 under the name of “International” NBCO CJSC. On October 7, 2013 the Credit Union obtained a license to conduct lending activities from the Central Bank of the Azerbaijan Republic (hereafter the “CBAR”). The license was registered with the registration number BKT-12 dated May 21, 2013 in the CBAR’s Central Register.

The legal address of the Organisation is:

M.K.Ataturk avenue 2, Narimanov district, Baku, Azerbaijan.

The Organisation is wholly-owned by shareholders. The ultimate shareholder of the Organisation is as the below:

Shareholder	December 31, 2020, %	December 31, 2019, %
Hasanov Rifat Vagif	100%	100%

2. Operating Environment of the Organisation

The Organization’s operations are primarily located in Azerbaijan and consequently is exposed to the economic and financial markets of Azerbaijan which display characteristics of an emerging market.

As an oil exporting country the economy of Azerbaijan is heavily dependent on oil being the largest contributor to the state budget both in volume and value terms, therefore the price of oil is of critical importance for the economy and abrupt changes in the price of oil have wide ranging effects on the macro economic factors of the economy like depreciation in currency, slower economic and industrial expansions and instability of monetary ramifications.

From the mid of June 2014 the oil prices fell instantaneously and this sharp decline resulted in decrease in revenue of oil industry, reduction in fiscal revenues, reduction in production of oil and shutting of their progressive operations.

Continuously low level of the global oil prices as well as the binary devaluation of the Azerbaijani Manat incurred in 2015 have recently increased the level of uncertainty in the business environment.

Since January 12, 2017 Azerbaijan's central bank has dropped the 4% exchange rate corridor it imposed on commercial banks in order to allow the currency to float freely and during 2018 the value of manat began to stabilize.

During 2019, CBAR reviewed the interest corridor eight times. It reduced the discount rate from 9.75 to 7.5%, the upper limit of the interest corridor from 11.75% to 9.25%, and the lower limit from 7.75% to 5.75%. The assets of State Oil Fund of Azerbaijan (SOFAZ) exceeded $40 billion for the first time, which prompted an increase in Azerbaijan's currency reserves to over $50 billion after a four-year pause.
In 2020, there was no change in the minimum wage. According to the relevant Presidential Decree, the insurance part of all types of labor pensions was indexed and increased by 16.6 percent by January 1, 2020 in accordance with the annual growth rate of the average monthly nominal wage set by the State Statistics Committee for 2019.

The increase applied to the pensions of all pensioners receiving pensions on the principle of insurance, ie about 1 million 120 thousand people In the first half of 2020, the global economy was negatively impacted by the spread of the coronavirus pandemic (COVID-19).

2. Operating Environment of the Organisation (continued)

In June and July 2020, many countries began to show signs of declining pandemic prevalence. Authorities gradually began to raise or lower restrictions. This trend has led to a revival in global financial and commodity markets. However, the peak of the pandemic in the countries occurred in June-July 2020, and as a result, restrictive measures were tightened. Social distancing and quarantine measures resulted in the closure of retail, transport, travel, catering, hotel, entertainment and many other businesses. International trade was also significantly reduced. Finally, oil prices tumbled to historic lows but moderately recovered by the end of the period. These measures have led to a gradual reduction in new coronavirus cases, and by August 2020, many governments, including the Government of the Republic of Azerbaijan, began to reduce restrictions. The next restrictions on the pandemic were tightened in December. Instability in financial and commodity markets around the world and the country is growing. Management continues to monitor the possible impact of the current situation on the Company's operations.

Management is unable to reliably estimate the effects on the Organisation's operations due to the expected changes in macro-economic factors and response of corollary measure thereon, but believes it is taking all the necessary measures to support the sustainability and development of the Organisation’s business in the current circumstances.

3. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

Statement of compliance

The accompanying financial statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (“IFRSs”) being standards and interpretations issued by the International Accounting Standards Board (“IASB”), in force at December 31, 2020.

Basis of measurement

The financial statements are prepared on the historical cost basis, unless mentioned otherwise in the accounting policies below (e.g. certain financial instruments that are measured at fair value).

Functional and presentation currency

The national currency of Azerbaijan is the Azerbaijani Manat (“AZN”), which is the Organisation’s functional currency and the currency in which these financial statements are presented.

Financial instruments – initial recognition

Date of recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date that the Organisation becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers’ accounts. The Organisation recognises balances due to customers when funds are transferred to the Organisation.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instrument. Financial instruments are initially measured at their fair value except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount. Trade receivables are measured at the transaction price. When the fair value of financial instruments at initial recognition differs from the transaction price, the Organisation accounts for the Day 1 profit or loss, as described below:

3. Summary of Significant Accounting Policies (continued)

Day 1 profit or loss

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Organisation recognises the difference between the transaction price and fair value in net trading income. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

Deferred Day 1 profit or loss may only be recognised to the extent that it arises from a change in a factor (including time) that market participants would consider when setting a price. The Organisation's accounting policy is to recognise Day 1 profit or loss only when the inputs become observable, or when the instrument is derecognised.

Measurement categories of financial assets and liabilities

The Organisation classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost,
- FVOCI,
- FVPL

The Organisation classifies and measures its derivative and trading portfolio at FVPL. The Organisation may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading and derivative instruments or the fair value designation is applied.

Financial assets and liabilities

Loans and advances to customers, Financial investments at amortised cost

The Organisation only measures *Loans and advances to customers* and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Organisation determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Organisation's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, value and timing of sales are also important aspects of the Organisation's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

3. Summary of Significant Accounting Policies (continued)

If cash flows after initial recognition are realised in a way that is different from the Organisation's original expectations, the Organisation does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI

As a second step of its classification process the Organisation assesses the contractual terms of financial to identify whether they meet the SPPI test.

‘Principal’ for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Organisation applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Derivatives recorded at fair value through profit or loss

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Organization enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit default swaps, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are included in net trading income unless hedge accounting is applied.

Embedded derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract.

A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

Derivatives embedded in financial assets, liabilities and non-financial host contacts, were treated as separate derivatives and recorded at fair value if they met the definition of a derivative (as defined above), their economic characteristics and risks were not closely related to those of the host contract, and the host contract was not itself held for trading or designated at FVPL. The embedded derivatives separated from the host were carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

3. Summary of Significant Accounting Policies (continued)

The Organization accounts in this way for derivatives embedded in financial liabilities and non-financial host contracts. Financial assets are classified based on the business model and SPPI assessments.

Equity instruments at FVOCI

Upon initial recognition, the Organization occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of Equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Organisation benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

Debt issued and other borrowed funds

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost.

Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

The Organisation has issued financial instruments with equity conversion rights, write-down and call options. When establishing the accounting treatment for these non-derivative instruments, the Organisation first establishes whether the instrument is a compound instrument and classifies such instrument's components separately as financial liabilities, financial assets, or equity instruments in accordance with IAS 32.

Classification of the liability and equity components of a convertible instrument is not revised as a result of a change in the likelihood that a conversion option will be exercised, even when exercising the option may appear to have become economically advantageous to some holders. When allocating the initial carrying amount of a compound financial instrument to the equity and liability components, the equity component is assigned as the residual amount after deducting from the entire fair value of the instrument, the amount separately determined for the liability component.

The value of any derivative features (such as a call options) embedded in the compound financial instrument, other than the equity component (such as an equity conversion option), is included in the liability component. Once the Organisation has determined the split between equity and liability, it further evaluates whether the liability component has embedded derivatives that must be separately accounted for.

Financial assets and financial liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

• The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis
Or
• The liabilities are part of a group of financial liabilities (or financial assets, or both under IAS 39), which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy
Or
• The liabilities containing one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by the contract, or it is clear with little or no analysis when a similar instrument is first considered that separation of the embedded derivative(s) is prohibited.

Financial assets and financial liabilities at FVPL are recorded in the statement of financial position at fair value.

3. Summary of Significant Accounting Policies (continued)

Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at FVPL due to changes in the Organization’s own credit risk. Such changes in fair value are recorded in the Own credit reserve through OCI and do not get recycled to the profit or loss. Interest earned or incurred on instruments designated at FVPL is accrued in interest income or interest expense, respectively, using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Dividend income from equity instruments measured at FVPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Financial guarantees, letters of credit and undrawn loan commitments

The Organization issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognized in the financial statements (within *Provisions*) at fair value, being the premium received. Subsequent to initial recognition, the Organization’s liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and – under IAS 39 – the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee, or – under IFRS 9. The premium received is recognized in the income statement in *Net fees and commission income* on a straight-line basis over the life of the guarantee.

Derecognition of financial assets and liabilities

Derecognition due to substantial modification of terms and conditions

The Organization derecognizes 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 recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI.

When assessing whether or not to derecognize a loan to a customer, amongst others, the Organization considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

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 EIR, the Organisation records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

Derecognition other than for substantial modification

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Organization also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Organization has transferred the financial asset if, and only if, either:

- The Organization has transferred its contractual rights to receive cash flows from the financial asset

Or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement

Pass-through arrangements are transactions whereby the Organization retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

3. Summary of Significant Accounting Policies (continued)

• The Organization has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
• The Organization cannot sell or pledge the original asset other than as security to the eventual recipients
• The Organization has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Organization is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
• The Organization has transferred substantially all the risks and rewards of the asset
Or
• The Organization has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Organization has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Organization’s continuing involvement, in which case, the Organization also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Organization has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Organization could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Organization would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

Overview of the ECL principles

The Organization has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument’s credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.
Based on the above process, the Organization groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

• Stage 1: When loans are first recognized, the Organization recognizes an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Organization records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
• Stage 3: Loans considered credit-impaired. The Organization records an allowance for the LTECLs.

3. Summary of Significant Accounting Policies (continued)

• POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognized based on a credit-adjusted EIR. ECLs are only recognized or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Organization has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Impairment of financial assets

The calculation of ECLs

The Organization calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR.

A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

• PD The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

• EAD The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

• LGD The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Organization considers four scenarios (a base case, an upside, a mild downside (‘downside 1’) and a more extreme downside (‘downside 2’)). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

With the exception of credit cards and other revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Organization has the legal right to call it earlier.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset’s gross carrying value.

The mechanics of the ECL method are summarized below:

• Stage 1: The 12mECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Organization calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.

These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the four scenarios, as explained above.

• Stage 2: When a loan has shown a significant increase in credit risk since origination, the Organization records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

3. Summary of Significant Accounting Policies (continued)

• Stage 3: For loans considered credit-impaired (as defined in Note 8), the Organization recognizes the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.

• POCI POCI assets are financial assets that are credit impaired on initial recognition. The Organization only recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the four scenarios, discounted by the credit adjusted EIR.

• Loan commitments and letters of credit

When estimating LTECLs for undrawn loan commitments, the Organization estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan.

For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For loan commitments and letters of credit, the ECL is recognized within *Provisions*.

• Financial guarantee contracts

The Organization’s liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and the ECL provision. For this purpose, the Organization estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs The shortfalls are discounted by the risk-adjusted interest rate relevant to the exposure. The calculation is made using a probability-weighting of the four scenarios. The ECLs related to financial guarantee contracts are recognized within *Provisions*.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

Purchased or originated credit impaired financial assets (POCI)

For POCI financial assets, the Organization only recognizes the cumulative changes in LTECL since initial recognition in the loss allowance.

Forward looking information

In its ECL models, the Organization relies on a broad range of forward looking information as economic inputs, such as:

• GDP growth
• Unemployment rates

Forward looking information

In its ECL models, the Organization relies on a broad range of forward-looking information as economic inputs, such as:

• GDP growth
• Unemployment rates
• Central Organization base rates
• House price indices

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. The above inputs are general economic indicators which we have chosen for illustrative purposes only. In practice, further indicators such as commodity prices inflation rates, currency rates and government budget deficits might be used too.

3. Summary of Significant Accounting Policies (continued)

Collateral valuation

To mitigate its credit risks on financial assets, the Organization seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on the Organization's statement of financial position.

However, the fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and re-assessed on a quarterly basis. However, some collateral, for example, cash or securities relating to margining requirements, is valued daily.

To the extent possible, the Organization uses active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as mortgage brokers, or based on housing price indices.

Collateral repossessed

The Organization's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets for which selling is determined to be a better option are transferred to assets held for sale at their fair value (if financial assets) and fair value less cost to sell for non-financial assets at the repossession date in, line with the Organization's policy.

In its normal course of business, the Organization does not physically repossess properties or other assets in its retail portfolio, but engages external agents to recover funds, generally at auction, to settle outstanding debt. Any surplus funds are returned to the customers/obligors. As a result of this practice, the residential properties under legal repossession processes are not recorded on the balance sheet.

Write-offs

Financial assets are written off either partially or in their entirety only when the Organization has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense.

IFRS 7R.35L requires entities to disclose the amount outstanding on financial assets that were written off during the period and are still subject to enforcement activities. This requirement can be read to conflict with IFRS 9.5.4.4, which allows write-off only when the Organization concluded it had no reasonable expectations of recovering the asset and stopped seeking to do so.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Organisation uses market observable data to the extent possible.

If the fair value of an asset or a liability is not directly observable, it is estimated by the Organisation (working closely with external qualified valour's) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset /(liability) that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

3. Summary of Significant Accounting Policies (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Organisation at the end of the reporting period during which the change occurred.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Organisation advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. When impaired financial assets are renegotiated and the renegotiated terms and conditions differ substantially from the previous terms, the new asset is initially recognised at its fair value.

Property, plant and equipment. Premises are stated at cost less accumulated depreciation and provision for impairment, where required.

All other items of premises and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The costs of minor repairs and maintenance are expensed when incurred. The cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired. If impaired, premises and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised as profit or loss from disposal of fixed assets.

Intangible assets. The Organisation’s other intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Organisation. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or methodology, as appropriate, which are then treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is presented as a separate line item in the income statement.

Depreciation. Depreciation of premises and equipment is calculated using the straight-line method to allocate their cost or re-valued amounts to their residual values over their estimated useful lives as follows:

3. Summary of Significant Accounting Policies (continued)

	2020	2019
Furniture and fixtures	4 years	4 years
Computer equipments	4 years	4 years
Vehicles	4 years	4 years
Intangible assets	10 years	10 years

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

Borrowings. Borrowing amount is recorded when money or other assets are advanced to the Organization by counterparty banks and others. The non-derivative liability is carried at amortized cost. If the Lender purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Azerbaijani legislation enacted or substantively enacted by the period end date. The income tax charge comprises current tax and deferred tax and is recognised in the income statement, except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity. Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits for the current and prior periods.

Taxable profits are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and operating expenses.

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

Note: In accordance with Tax Code Article 102.1.22 of the of Azerbaijan Republic, dividends on individuals' investment securities have tax exemption for 7 years from February, 2016.

Income and expense recognition.

Interest income and expense are recognised in profit or loss using the effective interest method. Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method. Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

3. Summary of Significant Accounting Policies (continued)

Recognition of interest income

The effective interest rate method

Under both IFRS 9 and IAS 39, interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost, financial instruments designated at FVPL. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9, similarly to interest bearing financial assets classified as available-for-sale or held to maturity under IAS 39 are also recorded by using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the asset) is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of the EIR. The Organisation recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognises the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVPL is recognised using the contractual interest rate in net trading income and Net gains/(losses) on financial assets at fair value through profit or loss, respectively.

Foreign currency translation. The Organisation's functional and presentation currency is the national currency of the Republic of Azerbaijan, Azerbaijani Manats ("AZN"). Monetary assets and liabilities are translated into Organisation's functional currency at the official exchange rate of the CBAR at the respective period end dates. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into Organisation's functional currency at year-end official exchange rates of the CBAR are recognised in profit or loss.

Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

At December 31, 2020, the principal rate of exchange used for translating foreign currency balances was USD 1 = AZN 1.7000 (December 31, 2019: USD 1 = AZN 1.7000).

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt securities issued. Debt securities issued include promissory notes, bonds and debentures issued by "International" NBCO CJSC. Debt securities are stated at amortized cost. If "International" NBCO CJSC purchases its own debt securities in issue, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Staff costs and related contributions. Wages, salaries, contributions to the Azerbaijan Republic state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Organisation.

Dividends

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

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

3. Summary of Significant Accounting Policies (continued)

IFRS 16

IFRS 16 affects primarily the accounting by lessees and results in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts.

An optional exemption exists for short-term and low-value leases. The statement of profit or loss also affected because the total expense is typically higher in the earlier years of a lease and lower in later years.

Additionally, operating expenses are replaced with interest and depreciation, so key metrics like EBITDA change. Operating cash flows should be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change.

Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Considering the optional exemptions, adoption of this standard did not have an impact on the financial statements of the Organisation.

Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

• Whether an entity considers uncertain tax treatments separately

• The assumptions an entity makes about the examination of tax treatments by taxation authorities

• How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

• How an entity considers changes in facts and circumstances The Organisation determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Organisation applies significant judgement in identifying uncertainties over income tax treatments. Since the Organisation operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its financial statements.

Upon adoption of the Interpretation, the Organisation considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company’s and the subsidiaries’ tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments.

The Organisation determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities.

The Interpretation did not have an impact on the financial statements of the Organisation.

Prepayment Features with Negative Compensation – Amendments to IFRS 9

Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are ‘solely payments of principal and interest on the principal amount outstanding’ (the SPPI criterion) and the instrument is held within the appropriate business model for that classification.

The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Organisation.

3. Summary of Significant Accounting Policies (continued)

IAS 12 Income Taxes

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events. Since the Organisation’s current practice is in line with these amendments, they had no impact on the financial statements of the Organisation.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

Since the Organisation’s current practice is in line with these amendments, they had no impact on the financial statements of the Organisation.

Plan Amendment, Curtailment or Settlement – Amendments to IAS 19

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The amendments had no impact on the financial statements of the Organisation as it did not have any plan amendments, curtailments, or settlements during the period.

4. Application of New or Revised Standards and Pronouncements

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

Impairment losses on loans and advances. The Organisation regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the income statement, the Organisation makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers of the Organisation, or national or local economic conditions that correlate with defaults on assets of the Organisation. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

4. Application of New or Revised Standards and Pronouncements (continued)

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Tax legislation. Azerbaijani tax, currency and customs legislation is subject to varying interpretations.

Deferred income tax asset recognition. The recognised deferred tax asset represents income taxes recoverable through future deductions from taxable profits and is recorded in the statement of financial position. Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

Initial recognition of related party transactions. In the normal course of business the Organisation enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions.

Going concern. Management prepared these financial statements on a going concern basis. In making this judgement management considered the Organisation's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the recent financial crisis on future operations of the Organisation.

According to management's estimates and measures, it is considered the Organisation would be able to adjust the needs of liquidity over the next twelve months and therefore current financial statements have been prepared on a going concern basis.

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after January 01, 2020:

Definition of Material – *Amendments to IAS 1 and IAS 8 (Effective date:* January 1, 2020*)*

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

Definition of a Business – Amendments to IFRS 3 *(Effective date*: January 1, 2020*)*

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

Revised Conceptual Framework for Financial Reporting *(Effective date:* January 1, 2020*)*

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality

5. Critical Accounting Estimates and Judgements in Applying Accounting Policies (continued)

• defining a reporting entity, which may be a legal entity, or a portion of an entity • revising the definitions of an asset and a liability
removing the probability threshold for recognition and adding guidance on derecognition • adding guidance on different measurement basis, and
• stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.
No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

The following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on December 31, 2020:

IFRS 17 Insurance Contracts *(Effective date: January 1, 2021 (likely to be extended to January 1, 2022))*

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period.

Contracts are measured using the building blocks of:

• discounted probability-weighted cash flows
• an explicit risk adjustment, and
• a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the ‘variable fee approach’ for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

6. Cash and Cash Equivalents

In Azerbaijan Manats	**December 31, 2020**	**December 31, 2019**
Cash on hand	353,216	628,744
Cash at Banks:		
Rated below B+	25,764	5,287
Not rated	38,168	91,065
Total cash at banks	**63,932**	**96,352**
Azerpocht LLC	174,778	78,520
Cash in transit	39,085	7,550
Total cash and cash equivalents	**631,011**	**811,166**

6. Cash and Cash Equivalents (continued)

In Azerbaijani Manats	December 31, 2020	December 31, 2019
Cash on hand	353,216	628,744
Cash at banks	63,932	96,352
Azerpocht LLC	174,778	78,520
Cash in transit	39,085	7,550
Total cash and cash equivalents	**631,011**	**811,166**

7. Loans and Advances to Customers

In Azerbaijani Manats	December 31, 2020	December 31, 2019
Loans to individuals		
Loans to individuals – consumer	13,383,900	10,219,978
Loans to individuals – agriculture	-	228,040
Less: credit loss allowance	(980,118)	(1,094,118)
Total loans and advances to customers	**12,403,782**	**9,353,900**

The economic sector risk concentrations within the customer loan portfolio are as follows:

	December 31, 2020		December 31, 2019	
In Azerbaijani Manats	Amount	%	Amount	%
Loans to individuals				
- consumer loans	12,403,782	100%	9,125,860	97.56%
- agriculture loans	-	0%	228,040	2.44%
Total loans and advances to customers	**12,403,782**	**100%**	**9,353,900**	**100%**

The primary factors that the Organization considers whether a loan is impaired are its overdue status and realisability of related collateral, if any.

In Azerbaijani Manats	Total
Credit loss allowance at December 31, 2018	**(557,361)**
Credit loss allowance for the period	(536,757)
Credit loss allowance at December 31, 2019	**(1,094,118)**
Credit loss allowance for the period	(425,283)
Write-off credit for the period	539,283
Credit loss allowance at December 31, 2020	**(980,118)**

7. Loans and Advances to Customers (continued)

	2020			
In Azerbaijani Manats	**Stage1**	**Stage2**	**Stage3**	**Total**
Neither past due nor impaired	11,796,046	-	-	**11,796,046**
Past due but not impaired	-	834,680	-	**834,680**
Loans individually determined to be impaired (gross)	-	-	753,174	**753,174**
Less credit loss allowance	(82,046)	(274,964)	(623,108)	**(980,118)**
Total loans and advances to customers	**11,714,000**	**559,716**	**130,066**	**12,403,782**

	2019			
In Azerbaijani Manats	**Stage1**	**Stage2**	**Stage3**	**Total**
Neither past due nor impaired	8,430,508	-	-	**8,430,508**
Past due but not impaired	-	1,084,379	-	**1,084,379**
Loans individually determined to be impaired (gross)	-	-	933,131	**933,131**
Less credit loss allowance	-	(180,920)	(913,198)	**(1,094,118)**
Total loans and advances to customers	**8,430,508**	**903,459**	**19,933**	**9,353,900**

Information on the collateral of loans to individual customers was as follows at December 31, 2020:

In Azerbaijani Manats	**Loans to individuals - consumer**	**Loans to individuals - agriculture**	**Total**
Loans collateralized by:			
- Precious metals	11,281,514	-	11,281,514
- Residential real estate	6,414	-	6,414
- Vehicle	549,307	-	549,307
- Others	566,547	-	566,547
Total loans and advances to customers	**12,403,782**	**-**	**12,403,782**

7. Loans and Advances to Customers (continued)

Credit quality of Loans and Advances to Customers outstanding at December 31, 2020:

	2020						
In Azerbaijani Manats	***Stage 1*** **Consumer credits**	***Stage 2*** **Agricultural credits**	***Stage 3*** **Consumer credits**	***Stage 1*** **Agricultural credits**	***Stage 2*** **Consumer credits**	***Stage 3*** **Agricultural credits**	**Total**
Neither past due nor impaired							
- Large customers	1,570,839	-	-	-	-	-	**1,570,839**
- Middle market customers	2,107,397	-	-	-	-	-	**2,107,397**
- Small business customers	8,117,810	-	-	-	-	-	**8,117,810**
Total neither past due nor impaired	**11,796,046**	**-**	**-**	**-**	**-**	**-**	**11,796,046**
Past due but not impaired							
- less than 30 days overdue	-	-	-	-	-	-	**-**
- 30 to 90 days overdue	-	-	823,151	-	-	-	**823,151**
- 90 to 180 days overdue	-	-	11,529	-	-	-	**11,529**
- 180 to 360 days overdue	-	-	-	-	-	-	**-**
- over 360 days overdue	-	-	-	-	-	-	**-**
Total past due but not impaired	**-**	**-**	**834,680**	**-**	**-**	**-**	**834,680**
Loans individually determined to be impaired (gross)							
- less than 30 days overdue	-	-	-	-	-	-	**-**
- 30 to 90 days overdue	-	-	-	-	-	-	**-**
- 90 to 180 days overdue	-	-	-	-	127,049	-	**127,049**
- 180 to 360 days overdue	-	-	-	-	101,342	-	**101,342**
- over 360 days overdue	-	-	-	-	524,783	-	**524,783**
Total loans individually determined to be impaired (gross)	**-**	**-**	**-**	**-**	**753,174**	**-**	**753,174**
Provision for credit loss allowance	**(82,046)**	**-**	**(274,964)**	**-**	**(623,108)**	**-**	**(980,118)**
Total loans and advances to customers	**11,714,000**	**-**	**559,716**	**-**	**130,066**	**-**	**12,403,782**

7. Loans and Advances to Customers (continued)

Credit quality of Loans and Advances to Customers outstanding at December 31, 2019:

In Azerbaijani Manats	2019						
	Stage 1 **Consumer credits**	***Stage 2*** **Agricultural credits**	***Stage 3*** **Consumer credits**	***Stage 1*** **Agricultural credits**	***Stage 2*** **Consumer credits**	***Stage 3*** **Agricultural credits**	**Total**
Neither past due nor impaired							
- Large customers	1,197,047	228,040	-	-	-	-	1,425,087
- Middle market customers	1,110,959	-	-	-	-	-	1,110,959
- Small business customers	5,894,462	-	-	-	-	-	5,894,462
Total neither past due nor impaired	**8,202,468**	**228,040**	**-**	**-**	**-**	**-**	**8,430,508**
Past due but not impaired							
- less than 30 days overdue	-	-	846,752	-	-	-	**846,752**
- 30 to 90 days overdue	-	-	201,368	-	-	-	**201,368**
- 90 to 180 days overdue	-	-	35,507	-	-	-	**35,507**
- 180 to 360 days overdue	-	-	752	-	-	-	**752**
- over 360 days overdue	-	-	-	-	-	-	**-**
Total past due but not impaired	**-**	**-**	**1,084,379**	**-**	**-**	**-**	**1,084,379**
Loans individually determined to be impaired (gross)							
- less than 30 days overdue	-	-	-	-	19,015	-	**19,015**
- 30 to 90 days overdue	-	-	-	-	15,402	-	**15,402**
- 90 to 180 days overdue	-	-	-	-	18,803	-	**18,803**
- 180 to 360 days overdue	-	-	-	-	37,469	-	**37,469**
- over 360 days overdue	-	-	-	-	842,442	-	**842,442**
Total loans individually determined to be impaired (gross)	**-**	**-**	**-**	**-**	**933,131**	**-**	**933,131**
Provision for credit loss allowance	**-**	**-**	**(180,920)**	**-**	**(913,198)**	**-**	**(1,094,118)**
Total loans and advances to customers	**8,202,468**	**228,040**	**903,459**	**-**	**19,933**	**-**	**9,353,900**

8. Property, Plant and Equipment and Intangible Assets

In Azerbaijani Manats	**Furniture and Fixture**	**Computer Equipments**	**Vehicles**	**Total Property, Plant and Equipment**	**Intangible Assets**	**Total**
Historical cost:						
At December 31, 2018	**84,156**	**10,577**	**239,260**	**333,993**	**22,500**	**356,493**
Additions	743	5,962	247,396	254,101	-	254,101
Disposals	-	-	-	-	-	-
At December 31, 2019	**84,899**	**16,539**	**486,656**	**588,094**	**22,500**	**610,594**
Additions	332,521	261,001	85,930	679,452	12,000	691,452
Disposals	-	-	(26,400)	(26,400)	-	(26,400)
At December 31, 2020	**417,420**	**277,540**	**546,186**	**1,241,146**	**34,500**	**1,275,646**
Accumulated depreciation and amortisation:						
At December 31, 2018	**(38,980)**	**(7,211)**	**(121,870)**	**(168,061)**	**(9,358)**	**(177,419)**
Depreciation and amortisation charge for the year	(17,258)	(2,574)	(92,583)	(112,415)	(2,250)	(114,665)
Disposal of accumulated depreciation	-	-	-	-	-	-
At December 31, 2019	**(56,238)**	**(9,785)**	**(214,453)**	**(280,476)**	**(11,608)**	**(292,084)**
Depreciation and amortisation charge for the year	(41,790)	(26,282)	(108,244)	(176,316)	(2,749)	(179,065)
Disposal of accumulated depreciation	-	-	26,400	26,400	-	26,400
At December 31, 2020	**(98,028)**	**(36,067)**	**(296,297)**	**(430,392)**	**(14,357)**	**(444,749)**
Net book value:						
At December 31, 2018	**45,176**	**3,366**	**117,390**	**165,932**	**13,142**	**179,074**
At December 31, 2019	**28,661**	**6,754**	**272,203**	**307,618**	**10,892**	**318,510**
At December 31, 2020	**319,392**	**241,473**	**249,889**	**810,754**	**20,143**	**830,897**

At December 31, 2020, the equipment and intangible assets are equal to the estimated fair value of the carrying amount of each class.

At December 31, 2020 the estimated fair value of the equipment and intangible assets is equal to AZN 830,897 (December 31, 2019: AZN 318,510).

9. Right-of-use asset and lease liabilities

From 01 January 2020, leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Company.

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

	Office space	Total
January 01, 2020 (Before application of IFRS 16)	**-**	-
Additions for the year	857,868	**857,868**
Depreciation of right-of-use asset	(47,188)	**(47,188)**
December 31, 2020	**810,680**	**810,680**

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

	Lease liabilities
January 01, 2020 (Before application of IFRS 16)	**-**
Additions for the year	857,868
Interest expense on lease liabilities	14,919
Payment of interest expense on lease liabilities	(14,919)
Payment of principal portion of lease liabilities	(40,668)
December 31, 2020	**817,200**

Future minimum lease payments as at December 31, 2020:

	Up to 1 year	More than 1 year	Total
Future minimum payments	210,944	736,446	947,390
Finance cost	(48,977)	(81,213)	(130,190)
Net carrying value	**161,967**	**655,233**	**817,200**

The recognized lease liabilities classified as follows:

	December 31, 2020	December 31, 2019
Current portion	336,151	-
Non-current portion	481,049	-
Total lease liabilities	**817,200**	**-**

10. Other Assets

In Azerbaijani Manats	December 31, 2020	December 31, 2019
Settlements with tax authorities	-	329
Prepaid expenses	14,384	14,384
Prepayment for the purchase of fixed assets	840	-
Settlements with VAT	5,986	-
Total other assets	**21,210**	**14,713**

11. Borrowings

In Azerbaijani Manats	December 31, 2020	December 31, 2019
Due to resident banks and other organisations:		
- Yelo Bank OJSC	3,077,736	3,997,500
- Pasha Bank OJSC	1,226,782	1,015,045
- Para NBCO OJSC	-	300,000
- State Agency on Agricultural Credits	-	232,553
- Rabita Bank OJSC	-	76,122
Total	**4,304,518**	**5,621,220**
Borrowings from individuals:		
- Leyla Cabbarova	1,141,850	-
Accrued interest payable	23,808	23,851
Total borrowings	**5,470,176**	**5,645,071**

At 18th of January 2019, 05th of September 2019 and 19th June 2019 the Organisation signed credit line agreements for AZN 1,000,000, for AZN 1,000,000 and for USD 1,175,000 with Yelo Bank OJSC. Maturity dates of the contracts are 18th of January, 2021, 19th of December, 2020 and 19th of June, 2021 with annual interest rates of 16%, 16% and 6% respectively. During 2020 year, the terms of the existing loan agreements between the Organization and Yelo Bank OJSC were extended until May 25, 2023, June 11, 2025 and December 21, 2023, respectively, with interest rates of 17%, 17% and 6% respectively.

At 07th of February 2020, 18th of February 2020, 21th February 2020, 26th February 2020, 28th February 2020, 10th August 2020, 18th February 2020, 31th August 2020 and 17th December 2020 the Organisation signed credit line agreements for AZN 100,000, for AZN 100,000, for AZN 200,000, for AZN 400,000, for AZN 200,000, for AZN 250,000, for AZN 134,200, for AZN 482,950 and for AZN 245,000 with Pasha Bank OJSC. Maturity dates of the contracts are 07th of February, 2021, 18th of February, 2021 and 31th August, 2021 and 17th December, 2021 with annual interest rates of 16%, 16%, 16%, 16%, 16%, 16%, 14%, 14% and 14% respectively.

At 19th of October 2020, 21th of October 2020, 17th of November 2020, 19th of November 2020 and 04th November 2020 the Organisation signed credit line agreements for USD 100,000, for AZN 100,000, for AZN 500,000, for AZN 221,850 and for AZN 150,000 with Leyla Cabbarova. Maturity dates of the contracts are 19th of October, 2021, 21th of October, 2021, 17th of November, 2021, 19th of November, 2021 and 04th November, 2021 with interest free respectively.

12. Debt Securities

In Azerbaijani Manats	**December 31, 2020**	**December 31, 2019**
Bonds	3,000,000	-
Debt securities	1,890,400	3,864,400
Accrued interest	58,212	66,170
Total debt securities in issue	**4,948,612**	**3,930,570**

As of December 31, 2020, the Organization has 3,000 bonds issued for a period of 5 years in 2020 with a total value of AZN 3,000,000. The annual interest rate on these bonds was set at 18%.

At the end of December 31, 2020 the Organisation has 12 (December 31, 2019, 23 units) units of interest bearing debt securities which has been issued in 2016, with total amount of USD 1,112,000 (AZN 1,890,400) (December 31, 2019 USD 1,112,000 (AZN 1,890,400)) and AZN 0 (December 31, 2019, AZN 1,974,000) matured for 5 years. These debt securities were denominated in USD and AZN which had an interest rate of 18% respectively.

13. Other Liabilities

In Azerbaijani Manats	**December 31, 2020**	**December 31, 2019**
Settlements for acquisition of porfolio	176,749	124,130
Settlements for advertising expenses	177,500	-
Settlements with employees	81,800	43,689
Settlements with SSPF	14,410	7,673
Payables to National Card LLC	6,423	4,333
Payables to FIMSA	-	1,036
Payables for professional services	5,000	-
Other payables	31,191	1,532
Total other liabilities	**493,073**	**182,393**

14. Share Capital

In Azerbaijani Manats	**Share Capital**
At December 31, 2019	**1,000,000**
Increase at share capital	2,000,000
At December 31, 2020	**3,000,000**

On January 21, 2015 Central Bank of the Republic of Azerbaijan approved guidelines on prudential regulation of non-bank credit organizations. According to the legislation, authorized share of capital of non-banking redit organizations upon establishment and for the next reporting period its total equity will not be less than AZN 300,000 and the Organization is in compliance with this requirement.

As a non banking credit organization that does not accept the pledge deposit, the Organization has no obligation to create a compulsory allowances as required by the legislation. Since the additional provision expenses made on the Organization's loans to customers for the prevention of existing risks on the basis of IFRS is based on voluntary principle for local legislation and is not recognized as an expense by tax authorities, the Organization has earned more profit with regard to the local accounting principles than on the basis of IFRSs and has declared its dividends in accordance with that net profit.

15. Interest Income and Interest Expense

In Azerbaijani Manats	For the year ended December 31, 2020	For the year ended December 31, 2019
Interest income		
Loans and advances to customers	6,478,113	4,641,656
Total interest income	**6,478,113**	**4,641,656**
Interest expense		
Debt securities	(793,250)	(822,220)
Borrowing	(659,459)	(573,840)
Finance cost of right of used assets	(14,919)	-
Total interest expense	**(1,467,628)**	**(1,396,060)**
Net interest income	**5,010,485**	**3,245,596**

16. Fee and Commission Income

In Azerbaijani Manats	For the year ended December 31, 2020	For the year ended December 31, 2019
Services to customers	140,809	132,691
Total fee and commission income	**140,809**	**132,691**

17. Fee and Commission Expense

In Azerbaijani Manats	For the year ended December 31, 2020	For the year ended December 31, 2019
Bank service fee	(92,160)	(81,370)
Total fee and commission expense	**(92,160)**	**(81,370)**

18. Other Operating Expenses

In Azerbaijani Manats	For the year ended December 31, 2020	For the year ended December 31, 2019
Rent expenses	(272,898)	(256,099)
Depreciation and amortization expenses	(179,065)	(114,665)
Communications	(56,864)	(44,406)
Depreciation of right-of-use assets	(47,188)	-
Security expenses	(44,317)	(29,123)
Charitable expenses	(34,997)	-
Audit and professional fees	(38,353)	(15,136)
Fuel expense	(24,128)	(29,183)
Office supplies	(23,723)	(22,587)
Repairs and maintenance expenses	(20,094)	(6,000)
Insurance expenses	(13,669)	(20,782)
Utility expenses	(7,577)	(5,475)
Membership fees	(7,500)	(30,000)
Journey expense	(5,650)	
Printing expenses	(1,623)	-
Financial sanctions	(66)	(23,242)
Other expenses	(1,902)	(1,396)
Total other operating expenses	**(779,614)**	**(598,094)**

19. Advertising Expenses

In Azerbaijani Manats	**For the year ended December 31, 2020**	**For the year ended December 31, 2019**
"Puppet" LLC	(197,500)	-
"Gateteam" LLC	(187,500)	(60,000)
"Selnur Constraksen" LLC	(198,500)	-
"Sivas" LLC	(199,800)	-
"Bilec" LLC	(172,500)	-
"Leisure" LLC	(157,700)	-
"Reklam Layihə" LLC	(10,140)	-
"Airgroup" LLC	(5,395)	(201)
“Hokkaydo” LLC	-	(104,380)
“Ducat Company” LLC	-	(70,000)
“Abadlıq 2019” LLC	-	(55,289)
“Kuvens-33” LLC	-	(32,500)
Cabbarov Emin	(75,000)	(100,000)
Other	(25,478)	(25,887)
Total advertising expenses	**(1,229,513)**	**(448,257)**

20. Income Taxes

Temporary differences as at December 31, 2020 and December 31, 2019 comprise:

In Azerbaijani Manats	**December 31, 2020**	**December 31, 2019**
Deductible temporary differences:		
Lease liabilities	817,200	-
Loans and advances to customers	195,216	182,727
Other liabilities	96,159	-
Debt securities	-	57,837
Intangible assets	-	375
Total deductible temporary differences	**1,108,575**	**240,939**
Taxable temporary differences:		
Right-of-use assets	810,680	-
Property, plant and equipment	118,895	5,902
Intangible assets	270	-
Other liabilities	-	7,645
Total taxable temporary differences	**929,845**	**13,547**
Net deferred deductible temporary differences	**178,730**	**227,392**
Net deferred tax asset at the statutory tax rate (2020: 20% and 2019: 20%)	35,746	45,478

20. Income Taxes (Continued)

Relationships between tax expenses and accounting profit for the years ended December 31, 2020 and December 31, 2019 explained as follows:

In Azerbaijani Manats	**For the year ended December 31, 2020**	**For the year ended December 31, 2019**
Profit before income tax	270,446	24,737
Tax rate	20%	20%
Tax at the statutory tax rate	(54,089)	(4,947)
Recognised tax loss carried forward	-	(14,796)
Tax effect of temporary differences	(14,445)	8,905
Income tax expense	**(68,534)**	**(10,838)**
Current income tax expense	(58,802)	(29,550)
Change in the deferred tax assets	(9,732)	18,712
Income tax expense	**(68,534)**	**(10,838)**

	December 31, 2020	**December 31, 2019**
Deferred tax asset at the beginning of the period	45,478	26,766
Deferred tax gain	(9,732)	18,712
Deferred tax asset at the end of the period	**35,746**	**45,478**

21. Financial Risk Management

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

Credit risk. The Organisation takes on exposure to credit risk which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Organisation’s lending and other transactions with counterparties giving rise to financial assets.

According to the Credit Policy of the Organisation which is approved by the Board of Directors there is collateral type limit set for the loan portfolio in order to ensure its diversification and minimization of possible credit risks may accrue.

These limits are as follows:

1. Limits for business portfolio and consumer loans portfolio;
2. Limits by sectors of economy;
3. Regional limits;
4. Concentration limits; and
5. Limits by collateral type.

21. Financial Risk Management (continued)

The limits are developed and revised by the Management Board on a quarterly basis. In the case of material change to the market environment, the limits may also be reviewed. A proposal for any change to the limits is first provided to the Credit Committee and subsequently to the Board of Directors for approval.

The Lending Operations and Reporting department reviews the adherence to all limits on a regular basis and some of the limits (maximum exposure to a single borrower or Organisation of related borrowers, maximum exposure to related parties) are checked prior to the issue of any new loan.

In addition, there are certain limits introduced and regularly monitored by the CBAR which are also mandatory to comply for all financial institutions of Azerbaijan.

Management of credit risk is an integral part of the Organization’s operations. Risk management covers all stages of the credit process, from loan origination and credit approval to collection.

Under the Risk Management Standards and Procedures established by the CBAR, the process of risk management entails the control over and reduction of risks through their determination and evaluation, the preparation of reports about such risks (for example, by the Executive Board, the committees and the risk management officers) and the adoption by the Management of risk limits.

These are the primary objectives of the risk management function which are described below. Under the CBAR’s Risk Management Standards, the risk management infrastructure and the risks of the Organisation must be evaluated by an outside specialist or auditor at least once a year. Generally, the CBAR’s standards require the Organisation to adopt an appropriate methodology to evaluate risks, though no specific quantitative limits or standards are prescribed.

The risk management function is within the overall structure of the duties and powers of the Organisation’s personnel, from the supervisory board down to the employees of the Organisation.

This function requires the determination of: (i) the volume or levels of the risks controlled by the risk management function, (ii) the position of the body responsible for the performance of risk management functions within the internal Organisational structure of the Organisation and (iii) the methodology used to evaluate information about the risks, prepare reports thereon, control such risks (i.e., determine their limits) and taking such information into account as part of the decision-making process.

The CBAR Risk Management Standards explain the nature of credit risks as well as their measurement and evaluation methodology. Furthermore, the Standards envision the adoption by the supervisory board of the Organisation of the following risk limits: limits for capital exposed to risk, market risk limits, credit risk limits as well as concentration risk limits.

The Organisation structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower and to geographical and industry segments.

Such risks are monitored on a day-to-day basis by the relevant responsible sections of the Organisation such as the Credit Committee. Such risks are also monitored on a monthly basis by the Management Committee and are subject to an annual or more frequent review of risk management procedures by the Management Committee for possible overhaul to improve procedures, if the need arises to reduce the number of overdue loans. Limits on the level of credit risk by product, borrower and industry sector are reviewed regularly by the Board of Directors.

The exposure to any one borrower, including banks and brokers, is further restricted by the CBAR’s regulatory sub-limits covering on and off- statement of financial position exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

The Credit Policy of the Organisation regulates the authorities and responsibilities of each body of the Organisation involved in lending process and determine the limits for credit granting approval the rules for monitoring of loans, the principles of rating system implemented by the Organisation, lending procedures etc.

21. Financial Risk Management (continued)

Loan approval procedure and delegation. The loan approval process is conducted in accordance with the procedures described in Lending Policy of the Organisation. The delegation of authorities for loan granting approval process has been defined within the limits approved by the Director of the Organisation for each level of decision-making authority.

Delegation of authorities for credit granting approval. The Organisation performs a detailed evaluation of potential borrowers before granting loans. This analysis is based on their financial situation, position on the market, type and value of collateral provided for secure the loan and on credit history of the potential borrower.

Monitoring is implemented on a periodic basis during the whole duration of a loan and also depends on the Organisation's internal risk rating assigned to the borrower. In most cases, the scheduled monitoring is conducted on a quarterly basis. When a loan becomes overdue, a notification is sent to the borrower within ten days.

In case of failure of the borrower to repay the outstanding debt, a second notification is sent within 30 days. As the interest payments under the majority of the loans are made on a monthly basis it gives the Organisation additional indicators of the borrower's financial condition. In case of overdue repayments, an extraordinary monitoring is executed by the Monitoring & Problem Loan Division which executes all types of loans' monitoring for the purpose of ensuring the security of Organisation's assets and minimizing possible credit risks and losses, and the results of it are to be formulated in special monitoring report presented for consideration to the Credit Committee of the Organisation.

The appraisal of the collateral value provided to secure a loan is conducted by independent qualified evaluator.

Market risk. The Organisation takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate and (c) equity products, all of which are exposed to general and specific market movements.

The goal of the Organisation's market risk management is to limit and reduce the amount of possible losses on open market positions that may be incurred by the Organisation due to negative changes in currency exchange rates and interest rates. The Management Committee sets limits on the value of risk that may be accepted, which is monitored on a daily basis. These limits are set in accordance with the CBAR guidelines on Determining and Regulating the Open Foreign Currency Position.

The open currency position of the Organisation in any single currency may not exceed 10.0 per cent, and in all foreign currencies 15.0 per cent of the Organisation's total equity. The Organisation's management uses its discretion to apply limits stricter than those of CBAR if it believes such action is necessary.

Currency risk. The Organisation takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Management Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Organisation does not deal in any derivative instruments for speculative or hedging purposes. Such instruments are not commonly used in Azerbaijan.

The table below summarises the Organisation's exposure to foreign currency exchange rate risk at the period end date:

	December 31, 2020			**December 31, 2019**		
In Azerbaijani Manat	**Financial assets**	**Financial liabilities**	**Position**	**Financial assets**	**Financial liabilities**	**Position**
AZN	13,021,299	(8,531,911)	4,489,388	9,860,022	(5,786,425)	4,073,597
USD	13,494	(3,197,150)	(3,183,656)	305,044	(3,920,247)	(3,615,203)
Total	**13,034,793**	**(11,729,061)**	**1,305,732**	**10,165,066**	**(9,706,672)**	**458,394**

21. Financial Risk Management (continued)

The above analysis includes only financial assets and liabilities. Non-financial assets are not considered to give rise to any material currency risk.

Interest rate risk. The Organisation takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. The Management Committee monitors on a daily basis and sets limits on the level of mismatch of interest rate reprising that may be undertaken.

The table presents the aggregated amounts of the Organisation's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest re-pricing or maturity dates.

In Azerbaijani Manat	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
December 31, 2020					
Total financial assets	3,097,227	4,392,271	3,096,238	2,449,057	**13,034,793**
Total financial liabilities	(867,515)	(1,267,846)	(3,865,004)	(5,728,696)	**(11,729,061)**
Net liquidity gap at December 31, 2020	**2,229,712**	**3,124,425**	**(768,766)**	**(3,279,639)**	**1,305,732**
Cumulative liquidity gap	**2,229,712**	**5,354,137**	**4,585,371**	**1,305,732**	
December 31, 2019					
Total financial assets	2,433,209	3,673,513	2,410,680	1,647,664	**10,165,066**
Total financial liabilities	(1,015,383)	(3,160,016)	(2,990,667)	(2,540,606)	**(9,706,672)**
Net liquidity gap at December 31, 2019	**1,417,826**	**513,497**	**(579,987)**	**(892,942)**	**458,394**
Cumulative liquidity gap	**1,417,826**	**1,931,323**	**1,351,336**	**458,394**	**-**

During sensitivity analysis the Organization suggests the following assumptions:

i. The sensitivity analysis reflects all the changes which may occur over the period the Organization provide disclosures until the next time. The next period of providing disclosures usually matches with the next reporting period.

The Organization discloses only effects of possible changes in the relevant risk variable, but not all possible changes.

As the Organization does not own floating rate assets or liabilities denominated in AZN its profit is not exposed to changes in interest rates in AZN.

Such changes in exchange ratesimpact on the profit or loss, but not the capital. The above-mentioned risks are calculated for cash balances denominated in currencies other than the functional currency of the Organization.

The Organisation monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

	2020		**2019**	
In % p.a.	**AZN**	**USD**	**AZN**	**USD**
Assets				
Loans and advances to customers	1%-72%	-	1%-72%	39%-40%
Liabilities				
Borrowings	0%-17%	6%	2%-18%	6%
Securities	18%	18%	24%	18%

21. Financial Risk Management (continued)

Geographical risk concentrations. The Company's all financial assets and liabilities are located in the Republic of Azerbaijan as at December 31, 2020 and December 31, 2019.

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing the exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Organisation did not have any such significant risk concentrations at December 31, 2020 and December 31, 2019.

Liquidity risk. Liquidity risk is the risk that the Organisation will encounter difficulty in meeting obligations arising from its financial obligations. It refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions.

In order to manage liquidity risk, the Organisation performs daily monitoring of future expected cash flows on clients' and banking operations, which is part of the assets/liabilities management process.

The Organisation's liquidity policy is comprised of the following:

- Projecting cash flows and maintaining the level of liquid assets necessary to ensure liquidity in various time-bands;
- Maintaining a funding plan commensurate with the Organisation's strategic goals;
- Maintaining a diverse range of funding sources thereby increasing the Organisation's borrowing capacity, domestically as well as from foreign sources;
- Maintaining highly liquid and high-quality assets;
- Adjusting its product base by time bands against available funding sources; and
- Constant monitoring of asset and liability structures by time-bands.

An analysis of the liquidity is presented in the following tables. The figures presented below are on undiscounted method and these should not be compared with the balance sheet. The tables have been drawn up to detail:

In Azerbaijani Manat	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**From 12 months to 5 years**	**Total**
December 31, 2020					
Total financial assets	3,296,515	5,370,882	4,094,499	3,629,799	16,391,695
Total financial liabilities	(418,763)	(1,478,982)	(4,087,612)	(6,679,963)	(12,665,320
Net interest sensitivity gap at December 31, 2020	**2,877,752**	**3,891,900**	**6,887**	**(3,050,164)**	**3,726,375**
Cumulative liquidity gap	**2,877,752**	**6,769,652**	**6,776,539**	**3,726,375**	
December 31, 2019					
Total financial assets	2,128,165	3,673,513	2,410,680	1,647,664	**9,860,022**
Total financial liabilities	(1,066,745)	(3,160,016)	(2,990,667)	(2,540,606)	**(9,758,034)**
Net interest sensitivity gap at December 31, 2019	**1,061,420**	**513,497**	**(579,987)**	**(892,942)**	**101,988**
Cumulative liquidity gap	**1,061,420**	**1,574,917**	**994,930**	**101,988**	

22. Management of Capital

The Organisation’s objectives when managing capital are to comply with the capital requirements set by the CBAR, to safeguard the Organisation’s ability to continue as a going concern and to maintain a sufficient capital base to achieve a capital adequacy ratio of at least 20%.

Management consider that the Organization over the years of 2020 and 2019 was in compliance with the statutory capital adequacy ratio.

For the CBAR statutory capital adequacy purposes the amount of the cumulative capital that the Organization manages as at December 31, 2020 and December 31, 2019 is AZN 2,973,498 and AZN 771,586 accordingly.

Although management does not review the capital structure on a regular basis, as part of the review conducted in order to comply with the financial covenants imposed by the lenders, management considers risks associated with its capital and its structure in relation to other components of the financial statements. Management considers that the Organization has complied with all externally imposed capital requirements throughout the years of 2020 and 2019.

23. Contingencies and Commitments

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

Tax legislation. 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 Organisation, may be challenged by the relevant state authorities.

23. Contingencies and Commitments

Recent events within the Republic of Azerbaijan suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Capital expenditure commitments. At December 31, 2020 and December 31, 2019, the Organisation had no contractual capital expenditure commitments in respect of premises and equipment.

24. Fair Value of Financial Instruments

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

The estimated fair values of financial instruments have been determined by the Organisation using available market information, where it exists, and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to determine the estimated fair value. Azerbaijan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be out dated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

24. Fair Value of Financial Instruments (Continued)

Cash and cash equivalents. Cash and cash equivalents recorded at amortized cost which is approximately equal to their current fair value.

carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Liabilities carried at amortized cost. The fair value is based on quoted market price, if available. The estimated fair values of fixed interest rate instruments with a stated maturity, for which prices were not available, were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period ("demandable liabilities") is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid.

The table below analysis financial instruments recorded at fair value by the level of the fair value hierarchy:

	December 31, 2020				
In Azerbaijani Manats	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**	**Total Carrying amount**
Financial assets					
Cash and cash equivalents	631,011	-	-	**631,011**	**631,011**
Loans and advances to customers	-	-	12,403,782	**12,035,402**	**12,403,782**
Total financial assets	**631,011**	**-**	**12,403,782**	**12,666,413**	**13,034,793**
Financial liabilities					
Borrowings	-	5,470,176	-	**5,470,176**	**5,470,176**
Debt securities issued	-	4,948,612	-	**4,948,612**	**4,948,612**
Lease liabilities	-	817,200	-	**817,200**	**817,200**
Other liabilities	-	493,073	-	**493,073**	**493,073**
Total financial liabilities	**-**	**11,729,061**	**-**	**11,729,061**	**11,729,061**

Loans and receivables carried at amortized cost. The fair value of floating rate instruments is normally their

	December 31, 2019				
In Azerbaijani Manats	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**	**Total Carrying amount**
Financial assets					
Cash and cash equivalents	811,166	-	-	**811,166**	**811,166**
Loans and advances to customers	-	-	9,353,900	**9,260,496**	**9,353,900**
Total financial assets	**811,166**	**-**	**9,353,900**	**10,071,662**	**10,165,066**
Financial liabilities					
Borrowings	-	-	5,645,071	**5,608,758**	**5,645,071**
Debt securities issued	-	-	3,930,570	**3,746,635**	**3,930,570**
Other liabilities	-	-	131,031	**131,031**	**131,031**
Total financial liabilities	**-**	**-**	**9,706,672**	**9,538,957**	**9,706,672**

25. Related Party Transactions

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

At December 31, 2020 and December 31, 2019, the outstanding balances with related parties were as follows:

	December 31, 2020		**December 31, 2019**	
In Azerbaijani Manats	**Related party balances**	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Debt securities:		**4,948,612**		**3,930,570**
- shareholders and entities with joint control or significant influence over the organisation	2,297,400		3,930,570	

Included in the statement of income for the years ended December 31, 2020 and December 31, 2019 are the following amounts which arose due to transactions with related parties:

	December 31, 2020		**December 31, 2019**	
In Azerbaijani Manats	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest expense on debt securities:		**(793,250)**		**(822,220)**
- shareholders and entities with joint control or significant influence over the Organisation	(661,373)		(822,220)	

At December 31, 2020 and December 31, 2019, the outstanding balances with related parties were as follows:

	December 31, 2020		**December 31, 2019**	
In Azerbaijani Manats	**Related party balances**	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Borrowings:		**5,470,176**		**5,645,070**
- shareholders and entities with joint control or significant influence over the Organisation	1,141,850		-	

25. Related Party Transactions (continued)

Included in the statement of income for the years ended December 31, 2020 and December 31, 2019 are the following amounts which arose due to transactions with related parties:

	For the year ended December 31, 2020		For the year ended December 31, 2019	
In Azerbaijani Manats	**Related party transactions**	**Total category as per financial atements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest expense on borrowings:		**(659,459)**		**(573,840)**
- shareholders and entities with joint control or significant influence over the organisation	-		(63,288)	

Key management compensation is presented below:

In Azerbaijani Manats	For the year ended December 31, 2020	For the year ended December 31, 2019
Salaries and bonuses	109,412	92,159
Total	**109,412**	**92,159**

During the year ended December 31, 2020 and December 31, 2019, the remuneration of members of the key management, comprised salaries and bonuses.

26. Events after the End of the Reporting Period

There is no significant event after the reporting date.