“BANK RESPUBLIKA” OJSC

Consolidated Financial Statements and Independent Auditor’s Report

31 December 2025

Contents

Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Independent Auditor's Report

To the Shareholders and the Board of Directors of Bank Respublika OJSC:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Bank Respublika OJSC (the "Bank") and its subsidiary (together – the "Group") as at 31 December 2025, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2025;
- the consolidated statement of financial position as at 31 December 2025;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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 consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview

- Overall Group materiality: AZN 3,800 thousand, which represents 5% of profit before tax.
- We have undertaken a full-scope audit of the Bank's financial results.
- Assessment of expected credit losses (ECL) allowance for loans to customers in accordance with IFRS 9, Financial Instruments.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	AZN 3,800 thousand
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented entities in this sector.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above AZN 380 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Assessment of expected credit losses (ECL) allowance for loans to customers in accordance with IFRS 9, Financial Instruments. Measurement of ECL involves significant estimates and determination of methodology, models and material data inputs. We considered the impairment of loans to customers, as a key audit matter due to the significance of the loans to customer balance and a complex financial reporting standard, which requires significant judgement to determine the ECL allowance. The Group uses the collective impairment assessment approach for over 99% of the gross amount of its total loans to customers portfolio. Key areas of judgement in determining the ECL allowance included: • Classification of loans to customers into stages in accordance with IFRS 9; • Key estimates and modelling assumptions used to estimate key risk parameters – probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). • Management's change in an accounting estimate during 2025 by shortening the observation window used in the ECL model (from 2012-2025 to 2018-2025) to ensure the model utilises with appropriate weighting more recent and relevant historical data. Note 3 "Material Accounting Policies", Note 17 "Loans to Customers" and Note 32 "Risk Management Policies" to the consolidated financial statements provide detailed information on the credit loss allowance.	The Group's loans to customers are issued by the Bank and as such the below relates to our audit work on the Bank. The below is a summary of our audit work performed. We obtained an understanding of the Bank's process for estimating ECL, judgments that are significant to the ECL estimate, the sufficiency of the information to support those judgments and the degree of estimation uncertainty inherent in those judgments. We assessed the appropriateness of the methodology and models used for calculating ECL allowance developed by the Bank to evaluate their compliance with the requirements of IFRS 9. This included assessing • the appropriateness of the Bank's approach to the segmentation of the loan portfolio; and • the appropriateness of the statistical methodology to calculate different parameters including PD, LGD and EAD. With regard to the controls relating to the credit loss allowance calculation process, we assessed and tested on a sample basis the design and operating effectiveness of the key controls over credit loss data and calculations. These key controls included those over loan authorization and accuracy of input of customer data into the loan system, including authorisation of loan standing data amendments, allocation of cash received from customers to respective loans to customers' accounts, overdue days count on delinquent loans and automated calculation of model risk parameters and ECL figures. Our detailed testing included the following • tested, on a sample basis, the accuracy of allocation of loans to the different "stages" including the completeness of identified restructured credit-impaired loans as these fall into the Bank's definition of loans with a significant increase in credit risk and hence into staging allocation; • validation of model risk parameters (PD, LGD and EAD), forward-looking information, associated weighting and the ECL calculation; • back-testing of probabilities of default (PD) and loss given default (LGD) risk parameters. In response to the change in accounting estimate related to the ECL model's observation window, we involved our IFRS 9 modelling specialists to assist us in evaluating the reasonableness and justification of this change. In our work we were supported by our IT risk experts in validation of the ECL outputs from the Bank's calculation engine for expected credit loss calculations. We assessed the adequacy and appropriateness of disclosures made in the consolidated financial statements regarding the expected credit loss allowance for loans to customers in accordance with IFRS Accounting Standards.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The subsidiary of the Bank is a non-significant component classified as a disposal group, which does not have any material balances or transactions included in the consolidated financial statements. Accordingly, no separate component audit procedures were performed other than the component's trial balance and its inclusion in the consolidation process were reviewed at Group level as part of the overall audit of the consolidated financial statements.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Aigule Akhmetova.

PricewaterhouseCoopers Audit Azerbaijan LLC

Baku, the Republic of Azerbaijan

21 April 2026

Bank Respublika OJSC
Statement of Profit or Loss and Other Comprehensive Income
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

	Note	2025	2024
Interest income calculated using the effective interest method	7	288,594	226,836
Interest expense	7	(110,113)	(77,530)
Net interest income		**178,481**	**149,306**
Credit loss allowance charge for assets carried at amortized cost	8	(2,102)	(326)
Net interest income after credit loss allowance		**176,379**	**148,980**
Fee and commission income	10	34,849	32,456
Fee and commission expense	10	(22,424)	(23,342)
Gains less losses on foreign exchange operations and translation	9	10,104	10,072
Losses less gains from financial derivatives	19	(9,055)	(7,128)
Impairment losses on other non-financial assets	22	-	(1,100)
Other income	11	2,229	2,025
Net non-interest income		**15,703**	**12,983**
Operating income from banking activity		**192,082**	**161,963**
Operating expenses	12	(113,751)	(95,305)
Profit before income tax from continuing operations		**78,331**	**66,658**
Income tax expense	13	(17,075)	(15,846)
Profit for the year from continuing operations		**61,256**	**50,812**
Discontinued operations			
Profit for the year from discontinued operations		87	569
PROFIT FOR THE YEAR		**61,343**	**51,381**
Other comprehensive income/loss			
Items that will not be reclassified to profit or loss			
Gains less losses on investments in equity securities at fair value through other comprehensive income		1,796	2,441
Income tax recorded directly in other comprehensive income		(435)	(488)
Other comprehensive income for the year		**1,361**	**1,953**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**62,704**	**53,334**
Profit attributable to:			
- Shareholders of the Bank		61,340	51,291
- Non-controlling interest	35	3	90
Profit for the year		**61,343**	**51,381**
Total comprehensive income attributable to:			
- Shareholders of the Bank		62,701	53,244
- Non-controlling interests	35	3	90
Total comprehensive income for the year		**62,704**	**53,334**
Earnings per share for profit attributable to the Shareholders of the Bank, basic and diluted (expressed in AZN per share)		**2.032**	**1.699**

The consolidated financial statements as set out on pages 5 to 89 were approved by management on 21 April 2026 and were signed on its behalf by:

Mr. Tariyel Ismayilov
Chairman of the Management Board

Mr. Javid Rzayev
Head of Finance Department

Bank Respublika OJSC
Consolidated Statement of Financial Position
(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

	Note	31 December 2025	31 December 2024
ASSETS			
Cash and cash equivalents	14	546,911	373,473
Mandatory reserve with the CBAR	15	157,104	140,784
Due from other banks	16	94,750	14,495
Loans to customers	17	1,654,039	1,456,128
Investment securities	18	146,344	60,548
Derivative financial assets	19	2,471	3,465
Property and equipment and right of use assets	20	51,272	49,673
Intangible assets	20	2,983	3,231
Repossessed collateral	22	1,112	1,049
Other financial assets	21	13,573	17,539
Other assets	21	6,418	8,086
Goodwill		-	467
Disposal groups		146	1,779
TOTAL ASSETS		**2,677,123**	**2,130,717**
LIABILITIES			
Amounts due to credit institutions	23	243,644	20,121
Amounts due to customers	24	1,464,278	1,372,384
Other borrowed funds	26	669,087	484,019
Lease liabilities	20	4,909	5,951
Derivative financial liabilities	19	1,485	2,518
Other financial liabilities	29	7,979	6,745
Other liabilities	29	23,063	20,466
Current income tax liability		4,222	4,806
Bonds issued	27	8,536	-
Subordinated borrowings	25	23,525	37,409
Deferred income tax		1,203	388
Liabilities directly associated with disposal groups		15	316
TOTAL LIABILITIES		**2,451,946**	**1,955,123**
EQUITY			
Share capital	30	73,961	73,961
Revaluation reserve for buildings		10,682	10,682
Other reserve	18	4,614	2,441
Retained earnings		135,920	87,692
Insurance finance reserve		-	1
Total equity attributable to the shareholders of the Bank		**225,177**	**174,777**
Non-controlling interest	35	-	817
TOTAL EQUITY		**225,177**	**175,594**
TOTAL LIABILITIES AND EQUITY		**2,677,123**	**2,130,717**

Mr. Tariyel Ismayilov
Chairman of the Management Board

Mr. Javid Rzayev
Head of Finance Department

(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

	Note	2025	2024
Cash flows from operating activities			
Interest received		282,122	224,689
Interest paid		(62,228)	(50,334)
Fees and commissions received		34,849	32,456
Fees and commissions paid		(22,424)	(23,342)
Realized gains less losses from exchange transactions in		10,080	9,930
Personnel expenses paid		(77,714)	(62,423)
Administrative expenses paid		(28,013)	(23,482)
Net losses on operations with foreign currency derivatives		(9,094)	(7,193)
Other operating income received		2,472	1,645
Income tax paid		(16,843)	(12,997)
Cash flows from operating activities before changes in operating assets and liabilities		**113,207**	**88,949**
Net (increase)/decrease in operating assets			
Due from other banks		(79,448)	(8,590)
Loans to customers		(200,958)	(305,274)
Repossessed collateral		(63)	452
Other assets		4,354	(4,782)
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		224,024	13,842
Amounts due to customers		90,520	(101,708)
Other liabilities		1,296	1,749
Net cash flows from/ (used in) operating activities - Continued operations		**152,932**	**(315,362)**
Net cash (used in)/from operating activities - Discontinued operations		(568)	2,497
Net cash flows (used in)/from operating activities		**152,364**	**(312,865)**
Cash flows from investing activities			
Purchase of property and equipment		(5,203)	(4,494)
Acquisition of intangible assets		(358)	(800)
Proceeds from disposal of property and equipment		165	40
Purchase of debt securities		(287,560)	(25,478)
Proceeds from redemption of debt securities carried at amortised cost		206,854	29,942
Interest income received on investments in debt securities		5,344	1,499
Net cash (used in)/ from investing activities - Continued operations		**(80,758)**	**709**
Net cash from investing activities - Discontinued operations		373	1,375
Net cash (used in)/ from investing activities		**(80,385)**	**2,084**
Cash flows from financing activities			
Proceeds from other borrowed funds	28	451,193	340,492
Repayment of other borrowed funds	28	(268,304)	(180,291)
Interest expense paid on other borrowed funds	28	(41,433)	(19,552)
Acquisition of non-controlling interest		(564)	(620)
Proceeds from subordinated borrowings	28	-	19,550
Repayment of subordinated borrowings	28	(13,600)	(11,900)
Interest expense paid on subordinated borrowings	28	(3,108)	(3,623)
Repayment of principal lease liabilities	28	(1,909)	(1,194)
Redemption of issued bonds	28	-	(35,000)
Proceeds from bonds issue		8,500	-
Interest expense paid on issued bond	28	(542)	(1,488)
Dividends paid	28	(12,558)	(10,415)
Net cash from financing activities - Continued operations		**117,675**	**95,959**
Net cash used in financing activities - Discontinued operations		(18)	(70)
Net cash from financing activities		**117,657**	**95,889**
Net increase/ (decrease) in cash and cash equivalents		**189,636**	**(214,892)**
Effect of changes in exchange rates on cash and cash equivalents		24	142
Cash and cash equivalents at the beginning of the year		**514,432**	**729,182**
Cash and cash equivalents at the end of the year		**704,092**	**514,432**

AZN 77 thousand of Cash and Cash Equivalents is attributable to the subsidiary and included within disposal group (31 December 2024: AZN 175 thousand). Cash and cash equivalents include mandatory reserve deposits with the CBAR in amount of AZN 157,104 thousand (31 December 2024: AZN 140,784 thousand).

(Amounts are presented in thousands of Azerbaijani Manats, unless otherwise stated)

	Note	Share capital	Revaluation reserve of buildings	Other reserve	Retained earnings	Insurance finance reserve	Total	Non-controlling interests	Total equity
		Attributable to owners of the Parent							
Balance at 1 January 2024		**73,961**	**10,682**	**-**	**47,304**	**1**	**131,948**	**1,347**	**133,295**
Profit for the year		-	-	-	51,291	-	51,291	90	51,381
Other comprehensive income		-	-	2,441	(488)	-	1,953	-	1,953
Total comprehensive income for 2024		**-**	**-**	**2,441**	**50,803**	**-**	**53,244**	**90**	**53,334**
Dividends declared	30	-	-	-	(10,415)	-	(10,415)	-	(10,415)
Acquisition of non-controlling interest in subsidiaries		-	-	-	-	-	-	(620)	(620)
Balance at 31 December 2024	**-**	**73,961**	**10,682**	**2,441**	**87,692**	**1**	**174,777**	**817**	**175,594**
Profit for the year		-	-	-	61,340	-	61,340	3	61,343
Other comprehensive income		-	-	1,797	(435)	(1)	1,361	-	1,361
Total comprehensive income for 2025		**-**	**-**	**1,797**	**60,905**	**(1)**	**62,701**	**3**	**62,704**
Dividend declared	30	-	-	-	(12,558)	-	(12,558)	-	(12,558)
Acquisition of non-controlling interest in subsidiaries		-	-	-	257	-	257	(820)	(563)
Transfer of revaluation reserve on investments in equity securities at FVOCI to retained earnings upon disposal		-	-	376	(376)	-	-	-	-
Balance at 31 December 2025		**73,961**	**10,682**	**4,614**	**135,920**	**-**	**225,177**	**-**	**225,177**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

1. Introduction

These consolidated financial statements comprise the financial statements of Bank Respublika OJSC (the Bank) and its subsidiary (together, the Group).

The Bank was incorporated in the Republic of Azerbaijan in 1992. The Bank is regulated by the Central Bank of the Republic of Azerbaijan (the “CBAR”) and conducts its business under general license number 83.

Principal activity. The Bank’s principal business activity is commercial and retail banking operations within the Republic of Azerbaijan. The Bank has 39 branches in Azerbaijan as at 31 December 2025 (31 December 2024: 35 branches and one service points).

Registered address and place of business. The Bank’s registered office and place of business is 21, Khagani Street, Baku AZ 1000, Azerbaijan.

The subsidiary of the Bank that is in the process of being liquidated is as follows:

			Ownership %	
Name	**Country of incorporation**	**Principal activities**	**31 December 2025**	**31 December 2024**
Baki Sigorta OJSC	The Republic of Azerbaijan	Insurance	100	93.3

Tural Insurance Open Joint Stock Company was registered on 8 February 1994, subsequently it was renamed to Baki Sigorta Open Joint Stock Company (“Baku Insurance OJSC”, the “Company”) which was registered in the Republic of Azerbaijan on 28 August 2007. The principal activity of the Company is non-life insurance services. The Company operated under insurance licenses issued by the Ministry of Finance of the Republic of Azerbaijan dated 12 February 2004.

In 2024, the Bank’s management committed to a plan to liquidate its subsidiary, Baku Insurance OJSC, through the sale of its assets and settlement of its liabilities, followed by closure of the entity. During 2024, the Company transferred its entire insurance portfolio to a third-party insurer, and the remaining net assets of the subsidiary are currently in the process of disposal.

The results of the discontinued operation have been separately presented in the statement of profit or loss, and the assets and liabilities of the disposal group have been presented separately in the statement of financial position.

Registered address and place of subsidiary: The Company’s registered office and place of business is 21, Khagani Street, Baku AZ 1000, Azerbaijan.

As at 31 December 2025 and 31 December 2024, the following shareholders owned issued shares of the Bank:

	2025, %	**2024, %**
Guliyev Natig Saday oglu	63.32	63.32
Guliyev Elchin Saday oglu	18.46	18.46
Guliyev Namig Saday oglu	8.47	8.47
Rahimov Shakir Khayyam oglu	5.45	5.45
SIDT (Sparkassen International Development Trust GmbH)	4.22	4.22
Others	0.08	0.08
Total	**100**	**100**

The Group is ultimately controlled by a single individual, Guliyev Natig Saday oglu.

2. Operating Environment of the Group

The Republic of Azerbaijan maintains the dynamics of a developing economy, with its growth and stability influenced by the effective implementation of economic, fiscal, and monetary policies, as well as global energy market trends and the stability of the Azerbaijani manat (AZN).

In 2025, Azerbaijan's economy demonstrated significant growth. The real Gross Domestic Product (GDP) expanded by 1.4%. The non-oil and gas sector remained the main driver of growth, while the oil and gas sector demonstrated stable performance, supported by energy demand.

Throughout 2025, global geopolitical tensions and economic uncertainties persisted, impacting inflation rates worldwide. However, Azerbaijan managed to maintain relative price stability, with the annual inflation rate averaging 5.7% during the year, below the Central Bank's target range. This stability can be attributed to prudent fiscal and monetary policies, as well as the manat's strong position relative to Azerbaijan's main trading partners and lower global food prices.

Investments in fixed capital and foreign investment inflows demonstrated positive dynamics during the year, strengthening the overall investment climate. Non-oil exports increased by 8%-9%, supported by expanding production capacity and improved competitiveness in agriculture, food processing, and manufacturing sectors.

Although the full impact of evolving political and economic conditions remains uncertain, potential implications for Azerbaijan’s economy are being carefully considered. The Bank’s Management continuously monitors these developments and implements proactive measures to support the sustainable growth and resilience of the Bank’s operations.

There were no significant adverse events or material changes in the financial position and performance of the Group during the year ended 31 December 2025. Management assessed the geopolitical, macroeconomic, and regulatory environment as stable and supportive. Critical estimates and judgements applied since the end of the previous reporting period remained appropriate for the year ended 31 December 2025.

The Bank’s Management is taking the necessary measures to support the sustainability of the Bank’s operations and to continue delivering services to its customers and support to its employees, including the following initiatives:

- The Bank continued to re-examine the processes that affect the customers and took important steps towards the optimization of these processes;
- The Bank continued to increase penetration of clients in e-banking and sought to optimise products/services offered via this channel;
- As a result of the actions taken, the Bank increased its loan portfolio by 13.6%, mainly mortgage loans by 23.5%, SME (small and medium enterprise) loans by 6.6%, micro loans by 16.2% and retail loans by 18.7%;
- Current accounts and deposits from customers increased by 6.7%, deposits and balances from banks increased by 1,112%, reflecting enhanced interbank cooperation and strengthened market confidence.

In the following years, the Bank will continue its growth by taking steps in the direction of efficiency and digitalization.

3. Material Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the IASB ("IFRS Accounting Standards").

These consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of premises and equipment, financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

These consolidated financial statements are directed to primary users, being investors who lend or provide equity capital to the reporting entity. These consolidated financial statements assume that the primary users have a reasonable knowledge of business and economic activities and review and analyse the information diligently.

These consolidated financial statements aim to disclose only information that management considers is material for the primary users. Management seeks not to reduce the understandability of these consolidated financial statements by obscuring material information with immaterial information. Hence, only material accounting policy information is disclosed, where relevant, in the related disclosure notes.

Consolidated financial statements. Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and its subsidiary use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests that are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group's equity**.**

Foreign currency translation*.* The financial statements are presented in Azerbaijani Manat, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the statement of profit or loss and other comprehensive income as net gain on foreign exchange operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the CBAR exchange rate on the date of the transaction are included in gains less losses on foreign exchange operations and translation.

3. Material Accounting Policies (Continued)

The Bank used the following official exchange rates at 31 December in the preparation of these financial statements:

	2025	2024
1 US dollar	AZN 1.7000	AZN 1.7000
1 Euro	AZN 2.0022	AZN 1.7724

Interest income and expense. Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate ("EIR"), transaction costs and all other premiums or discounts. The Bank does not hold debt instruments measured at FVTPL.

Fees integral to the effective interest rate include origination fees received or paid by the Bank relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at FVTPL.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (AC), net of the expected credit loss (ECL) provision.

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (i.e. the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in P&L due to the asset being in stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

For cross currency basis swaps interest component calculation, notional amount is multiplied by contractual interest rate for respective period. While making allocation of an interest income/(expense) from FX Swaps transactions, annualized spread earned interest income/(expense) is calculated and distributed linearly throughout the lifetime of the contract.

Fee and commission income and expenses. Fee and commission income – including fee and commission income on plastic cards services, settlement fees, cash operations, – is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

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

3. Material Accounting Policies (Continued)

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

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition policies
Retail and corporate banking service	The Group provides banking services to retail and corporate customers, provision of overdraft facilities, foreign currency transactions, credit cards and servicing fees. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place.	Revenue related to transactions is recognised at the point in time when the transaction takes place.
	The Group charges commission fee to the customers for the guarantee letters issued.	Revenue from fees on issuance of guarantees and letters of credit is recognised over the period until maturity date of such contracts.

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

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Bank's management. Segments whose revenue, net results or assets are ten percent or more of all the segments are reported separately.

Initial recognition of financial instruments. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

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

***Financial assets – Modification of financial assets and financial liabilities*.** If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different.

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

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

3 Material Accounting Policies (Continued)

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

The Group evaluates modifications to financial assets based on quantitative and qualitative factors to determine if the cash flows are substantially different from the original asset. If so, the original asset's contractual rights to cash flows are deemed to have expired. Qualitative factors include changes in currency, collateral, or terms leading to non-compliance with certain criteria. A quantitative test compares original and revised expected cash flows, with a 10% change considered significant. If cash flows are modified in financial difficulties, the objective is to maximize recovery. Forgiveness of cash flows may require a write-off before modification. If a financial asset is not derecognized, the Group adjusts the gross carrying amount and recognizes the adjustment as a modification gain or loss.

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

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

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

Financial assets – Impairment: See also Note 32 (Credit risk).

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

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

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

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition (see Note 32 (Credit risk)).

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

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

3 Material Accounting Policies (Continued)

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised are referred to as 'Stage 2' financial instruments (if the credit risk has increased significantly since initial recognition, but the financial instruments are not credit-impaired) and 'Stage 3' financial instruments (if the financial instruments are credit-impaired).

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

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

Credit-impaired financial assets. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

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

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

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

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

3. Material Accounting Policies (Continued)

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

- *financial assets measured at amortised cost*: as a deduction from the gross carrying amount of the assets;
- *loan commitments and financial guarantee contracts*: as a provision within “Other liabilities” line;
- *where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component*: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVTOCI*: no loss allowance is recognised in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

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

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

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

Recoveries of amounts previously written off are included in ‘expected credit losses on interest bearing assets’ in the consolidated statements of profit or loss and other comprehensive income.

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

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied mainly to derivatives, and (ii) financial guarantee contracts and loan commitments.

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

3. Material Accounting Policies (Continued)

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

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

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

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

Cash and cash equivalents. The mandatory reserve deposit with the CBAR is not considered to be a cash equivalent, due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

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, both in the statement of financial position and for the purposes of the statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at fair value through profit or loss (FVTPL). Otherwise, they are carried at fair value (FV).

Loans to customers. 'Loans to customers' caption in the consolidated statement of financial position include:

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

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

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

The Group has issued no loan commitments that are measured at FVTPL. For other loan commitments the Group recognises a loss allowance.

3. Material Accounting Policies (Continued)

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group classifies investments in debt securities as carried at AC, fair value through other comprehensive income (FVOCI) or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, forward rate agreements, currency and interest rate swaps are carried at their fair value.

The Bank also enters into agreements with its counterparty banks, which are offset for IFRS purposes, to swap deposits or loans in different currencies. Such agreements, while legally separate, are aggregated and accounted for as a single derivative financial instrument on a net basis where (i) the loans are entered into at the same time and in contemplation of one another, (ii) they have the same counterparty, (iii) they relate to the same risk and (iv) there is no apparent business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction.

"Gains less Losses from Financial Derivatives" line in the consolidated statement of profit or loss and other comprehensive income includes interest expense on deposit swap agreement.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year under "Gains less losses from financial derivatives" line. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors.

Customer accounts, other borrowed funds and subordinated borrowings. Amounts due to credit institutions, amounts due to customers, subordinated borrowings and other borrowed funds are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Debt securities in issue. Debt securities in issue include bonds issued by the Bank. Debt securities are stated at AC. If the Bank purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

Repossessed collateral. Repossessed collateral represents non-financial assets repossessed by the Group to settle overdue loans. The assets are initially recognised at fair value when repossessed and included in repossessed collateral according to the Group's intention in respect of recovery of these assets. The Group's intention is to sell the repossessed collateral, hence it is accounted for by analogy with inventory. Repossessed assets are recorded at the lower of cost or net realisable value. Impairment of repossessed collateral is recognized within "Impairment losses on other non-financial assets" line in the consolidated statement of profit or loss and other comprehensive income

Accounting for leases by the Bank as a lessee. The Bank leases office premises.

The lease payments are discounted using the lessee's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

3. Material Accounting Policies (Continued)

Property and equipment

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

(ii) Revaluation. Buildings are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity.

(iii) Depreciation. Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. The estimated useful lives and residual values are as follows:

	Years	Residual value
- Buildings	50-70	20%
- Furniture and equipment	5-10	-
- Computers	5-7	-
- Vehicles	7-10	10%
- Other equipment	5-10	-
- Leasehold improvements	shorter of useful life and the term of the underlying lease	-

Intangible assets

(i) Intangible assets acquired separately. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives of ten years.

Impairment of non-financial assets. At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets, other than investment property and deferred tax assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Provisions. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Share capital. Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares are shown as a deduction from the proceeds in equity.

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

Dividend income is recognized in profit or loss on the date that the dividend is declared.

Contingencies. Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

3. Material Accounting Policies (Continued)

Taxation. Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

(i) Current tax. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

Tax legislation in Azerbaijan is subject to varying interpretations, and changes can occur frequently. Management interpretation of such legislation and changes, as applied to the transactions and activity of the Group may be challenged by the relevant authorities. As such, additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three years including the year of review. Management believes that as of 31 December 2025 its interpretation of the relevant legislation is appropriate and that the Group's tax position will be sustained.

(ii) Deferred tax. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax is recognized on tax losses, which can be utilized during five years.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Presentation of consolidated statement of financial position in order of liquidity. The Group does not present current and non-current assets and liabilities separately in the consolidated statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 32 for analysis of financial instruments by their maturity. The following table below provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 32.

		31 December 2025			31 December 2024		
		Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
	Note	Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total
ASSETS							
Property and equipment	20	-	51,272	**51,272**	-	49,673	**49,673**
Intangible assets	20	-	2,983	**2,983**	-	3,231	**3,231**
Other non-financial assets	21	6,418	-	**6,418**	8,086	-	**8,086**
Repossessed collateral	22	1,112	-	**1,112**	1,049	-	**1,049**
Goodwill			-	**-**		467	**467**
Disposal groups		146	-	**146**	1,779	-	**1,779**
LIABILITIES							
Current income tax liability		4,222	-	**4,222**	4,806	-	**4,806**
Other non-financial liabilities	29	23,063	-	**23,063**	20,466	-	**20,466**
Deferred income tax liabilities	13	-	1,203	**1,203**	-	388	**388**
Liabilities of disposal group classified as held for sale		15	-	**15**	316	-	**316**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

3. Material Accounting Policies (Continued)

Discontinued operations. A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Changes in presentation. During the current year, the Bank concluded that it is more appropriate to present the mandatory reserve with the CBAR separately in the financial statements. In addition, for the purposes of the statement of cash flows, mandatory reserve with CBAR meet the definition of cash and cash equivalents and are included within cash and cash equivalents. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts. The effect of reclassifications for presentation purposes was as follows on amounts at 31 December 2024:

	As originally presented	Reclassification	As reclassified at 31 December 2024
Due from other banks	155,279	(140,784)	14,495
Mandatory reserve with CBAR	-	140,784	140,784
Net cash flows used in operating activities	(320,324)	7,459	(312,865)
Cash and cash equivalents at the beginning of the year	593,360	135,822	729,182
Cash and cash equivalents at the end of the year	373,648	140,784	514,432

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies

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

ECL measurement. Measurement of ECL is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 32. The following components have a major impact on credit loss allowance: definition of default, SICR and its assessment criteria, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios, segmentation of financial assets for the ECL assessment purposes, determination of a level of ECL assessment on a collective basis. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. Impact of forward-looking assumptions correlated with ECL level and their assigned weight is not significant.

The Group used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. Details about the most significant forward-looking assumptions that correlate with ECL level and further information is disclosed in Note 32.

ECL related sensitivity results are disclosed in Note 17.

Determination of collateral value. Management regularly monitors the market value of collateral held against credit exposures. The valuation involves the use of experienced judgment and, where necessary, independent expert valuations. The Bank uses comparable market data, adjusted for the condition, location, liquidity, and other relevant characteristics of the collateral being pledged.

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Adjustments are made to reflect current market conditions and the specific terms under which the collateral would be realized in the event of default.

The type and amount of collateral required is determined based on an assessment of the borrower's credit risk, and collateral values are updated periodically to ensure they continue to provide adequate coverage. Refer to Note 17 for further information on values of collateral pledged to loan portfolio.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Group uses the following criteria:

- the ratio of the lifetime PD at the reporting date to the lifetime PD at initial recognition exceeds a set threshold;
- backstop of 30 days past due (DPD). DPD value is the maximum of DPD interest and DPD principal of the loan taking into account any delay in repayment;
- total probability of default in the next year exceeds certain threshold dependent on the loan segment;

The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Group considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 32.

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Group assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Group's control, is not recurring and could not have been anticipated by the Group, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

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

The Group classifies its debt securities as held to collect based on the assumption that these securities would only be sold in a stress case scenario.

Determining lease term. The Bank leases office premises and land from third parties under contracts which do not have fixed contractual maturity dates and are automatically renewed unless either party submits a termination notice of 1 months. The Bank determines non-cancellable lease period for such leases, taking into consideration penalties that would be incurred upon termination, including economic disincentives such as leasehold improvements, cost of relocating or the importance of the premises to the Bank's operations. As a result, the lease term for most significant office premises has been determined as a period of 3-5 years.

4. Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Effective interest rate of borrowings. In determining the effective interest rate (EIR) and fair value of long-term borrowings received from local government-related funds such as Entrepreneurship Support Fund (NESF), The Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan (MCGF) and Agrarian Credit and Development Agency (ACDA), the Group exercised significant judgement in assessing whether these borrowings were provided at market terms. These loans are disbursed across the entire banking sector of Azerbaijan under similar terms, conditions, and credit risk exposures. The Group, based on its experience and peer analysis, concluded that these loans represent market-based funding. This assessment impacts the recognition of any potential day-one gain or loss and the application of the effective interest rate method.

Despite the fact that the loans are transferred to the Bank on a customer-by-customer basis, the Bank remains fully responsible to the funds for the repayment. The judgement is based on observable consistency of terms across other market participants and the long-standing nature of such funding schemes in the local market.

5. Adoption of New or Revised Standards and Interpretations

The following amendments became effective from 1 January 2025:

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences. The application of the above amendments had no significant impact on the Group's consolidated financial statements.

6. New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2026 or later, and which the Group has not early adopted.

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

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

6. New Accounting Pronouncements (Continued)

IFRS 18 Presentation and Disclosure in Financial Statements (Issued on 9 April 2024 and effective for annual periods beginning on or after 1 January 2027). In April 2024, the IASB has issued IFRS 18, the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:
- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its 'operating profit or loss'. IFRS 18 will apply for reporting periods beginning on or after 1 January 2027 and also applies to comparative information.

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024, then amended on 21 August 2025 and effective for annual periods beginning on or after 1 January 2027). IFRS 19 permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. The Group is not eligible to apply the reduced disclosure requirements introduced by this standard.

IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard will be effective from a date that is yet to be determined by the IASB.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. In 2015, the IASB decided to postpone the effective date of these amendments indefinitely.

Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (Issued on 18 December 2024 and effective from 1 January 2026). The IASB has issued amendments to help companies better report the financial effects of nature-dependent electricity contracts, which are often structured as power purchase agreements (PPAs). Current accounting requirements may not adequately capture how these contracts affect a company's performance. To allow companies to better reflect these contracts in the financial statements, the IASB has made targeted amendments to IFRS 9, *Financial Instruments*, and IFRS 7, *Financial Instruments: Disclosures*. The amendments include: (a) clarifying the application of the 'own-use' requirements; (b) relaxing certain hedge accounting requirements if these contracts are used as hedging instruments; and (c) adding new disclosure requirements to enable investors to understand the effect of these contracts on financial performance and cash flows.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

6. New Accounting Pronouncements (Continued)

Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026). IFRS 1 was clarified that a hedge should be discontinued upon transition to IFRS Accounting Standards if it does not meet the 'qualifying criteria', rather than 'conditions' for hedge accounting, in order to resolve a potential confusion arising from an inconsistency between the wording in IFRS 1 and the requirements for hedge accounting in IFRS 9. IFRS 7 requires disclosures about a gain or loss on derecognition relating to financial assets in which the entity has a continuing involvement, including whether fair value measurements included 'significant unobservable inputs'. This new phrase replaced reference to 'significant inputs that were not based on observable market data'. The amendment makes the wording consistent with IFRS 13. In addition, certain IFRS 7 implementation guidance examples were clarified and text added that the examples do not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7. IFRS 16 was amended to clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply IFRS 9 guidance to recognise any resulting gain or loss in profit or loss. This clarification applies to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies that amendment. In order to resolve an inconsistency between IFRS 9 and IFRS 15, trade receivables are now required to be initially recognised at 'the amount determined by applying IFRS 15' instead of at 'their transaction price (as defined in IFRS 15)'. IFRS 10 was amended to use less conclusive language when an entity is a 'de-facto agent' and to clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of a circumstance in which judgement is required to determine whether a party is acting as a de-facto agent. IAS 7 was corrected to delete references to 'cost method' that was removed from IFRS Accounting Standards in May 2008 when the IASB issued amendment 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'. The Group is currently assessing the impact of the amendments on its financial statements.

7. Net Interest Income

	2025	**2024**
Interest income calculated using the effective interest method		
Loans to customers	256,452	198,814
Cash and cash equivalents	24,272	23,607
Investment securities measured at amortised cost	7,187	3,464
Due from other banks	683	951
Total interest income calculated using the effective interest method	**288,594**	**226,836**
Interest expense		
Amounts due to customers	(60,188)	(50,290)
Other borrowed funds	(43,612)	(20,551)
Amounts due to credit institutions	(2,789)	(1,828)
Subordinated borrowings	(2,824)	(3,483)
Bonds issued	(578)	(769)
Lease liabilities	(122)	(609)
Total interest expense	**(110,113)**	**(77,530)**
Net margin on interest and similar income	**178,481**	**149,306**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

8. Expected Credit Losses on Interest Bearing Assets

Expected credit losses amount on interest bearing assets recognised in the consolidated statement of profit or loss and other comprehensive income is comprised of the following:

	2025	2024
Charge for ECL on:		
Loans to customers	(945)	(8)
Due from other banks	(438)	(219)
Other assets	(719)	(99)
Charge for Expected credit losses on interest bearing assets, total	**(2,102)**	**(326)**

The table below shows details of net ECL charge on loan to customers:

	2025	2024
Impairment expense (net) on loans to customers	(4,480)	(4,370)
Recoveries from written off loans	3,535	4,362
Expected credit losses on loans to customers, total	**(945)**	**(8)**

9. Gains less losses on foreign exchange operations and translation

	2025	2024
Gains less losses from trading in foreign currencies	10,080	9,930
Foreign exchange translation gains less losses	24	142
Total gains less losses on foreign exchange operations and translation	**10,104**	**10,072**

10. Fee and Commission Income and Expense

	2025	2024
Fee and commission income		
Fee and commission income not relating to financial instruments at FVTPL:		
Plastic cards services	16,628	16,041
Settlements	7,520	7,246
Guarantee letters	2,845	2,012
Cash operations	2,836	3,104
Commission from early settled loans and payments through terminals	1,595	1,312
Fee income from fiduciary activities	576	622
Other operations	2,849	2,119
Total fee and commission income	**34,849**	**32,456**
Fee and commission expense		
Fee and commission expense not relating to financial instruments at FVTPL		
Plastic cards services	13,481	12,810
Payment systems	3,744	5,925
Settlements	3,389	2,764
Cash operations	1,062	1,098
Guarantees	439	291
Other operations	309	454
Total fee and commission expense	**22,424**	**23,342**
Net fee and commission income	**12,425**	**9,114**

11. Other Income, Net

	Note	2025	2024
Dividend income	18	1,781	950
Other income, net		448	1,075
Total Other Income, Net		**2,229**	**2,025**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

12. Operating Expenses

	2025	2024
Staff costs	70,705	58,215
Payments to Social Pension Fund	8,704	7,654
Depreciation of property and equipment and right of use assets	5,901	5,454
Professional services fees	4,798	3,410
Sponsorship fees	4,134	819
Fees paid to Deposit Insurance Fund	3,643	4,269
Software costs	2,786	2,297
Communication expenses	2,196	2,393
Advertising and marketing	1,730	2,161
Taxes other than income tax	1,636	2,311
Office expenses	1,313	1,447
Transportation and travel	1,226	815
Security costs	1,031	965
Amortization	606	362
Repairs and maintenance	525	579
Lease expense (short-term and low value items)	233	268
Other operating expenses	2,584	1,886
Total operating expenses	**113,751**	**95,305**

The fee for the audit of the Group's condensed consolidated interim financial statements for the period ended 30 June 2025 and consolidated financial statements for the year ended 31 December 2025 is AZN 357 thousand, net of VAT (30 June 2024 and 31 December 2024: AZN 323 thousand, net of VAT). Fee for non-audit services provided during 2025 is AZN 36 thousand, net of VAT (2024: AZN 36 thousand, net of VAT).

13. Income Taxes

	2025	2024
Current income tax charge	(16,695)	(14,923)
Deferred income tax charge	(380)	(923)
Income tax expense for the year	**(17,075)**	**(15,846)**

In 2025, the applicable tax rate for current and deferred tax is 20% (2024: 20%).

	2025	2024
Profit before income tax from continuing operations	**78,798**	**66,658**
Theoretical tax charge at statutory rate	(15,760)	(13,332)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	(1,685)	(2,380)
- Income which is exempt from taxation	370	190
- Other	-	(324)
Income tax expense for the year	**(17,075)**	**(15,846)**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

13. Income Taxes (Continued)

Deferred tax assets and liabilities represent the potential income tax benefit and charge respectively, arising from temporary differences between the carrying values of assets and liabilities in the consolidated statement of financial position in accordance with IFRS Accounting Standards and their values for tax accounting purposes reported in accordance with the local tax regulations.

Movements in temporary differences during the years ended 31 December 2025 are presented as follows:

	Balance 1 January 2025	Credited / (charged) to profit or loss	Credited / (charged) to other comprehensive income	Transfer to disposal group	Balance 31 December 2025
Tax effect of deductible/(taxable) temporary differences					
Credit loss allowance of Loans to customers	2,421	(252)	-	-	2,169
Credit loss allowance of Amounts due from credit institutions	(42)	(42)	-	-	(84)
Credit loss allowance of Securities at AC	(30)	30	-	-	-
Fair valuation of securities at FVOCI	(488)	-	(435)	-	(923)
Fair valuation of Derivatives	(189)	(8)	-	-	(197)
Depreciation and amortisation of Property and Equipment and Intangible assets	(1,191)	(362)	-	-	(1,553)
Revaluation of buildings	(751)	12	-	-	(739)
Right of use assets	(920)	310	-	-	(610)
Other assets	(323)	(24)	-	-	(347)
Lease liabilities	1,190	(208)	-	-	982
Other liabilities	(65)	164	-	-	99
Net deferred tax liability	**(388)**	**(380)**	**(435)**	**-**	**(1,203)**
Recognised deferred tax asset	3,611	(361)	-	-	3,250
Recognised deferred tax liability	(3,999)	(19)	(435)	-	(4,453)
Net deferred tax liability	**(388)**	**(380)**	**(435)**	**-**	**(1,203)**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

13. Income Taxes (Continued)

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

	Balance 1 January 2024	Credited / (charged) to profit or loss	Credited / (charged) to other comprehensive income	Transfer to disposal group	Balance 31 December 2024
Tax effect of deductible/(taxable) temporary differences					
Credit loss allowance of Loans to customers	2,464	(43)	-	-	2,421
Credit loss allowance of Amounts due from credit institutions	(33)	(9)	-	-	(42)
Credit loss allowance of Securities at AC	(30)	-	-	-	(30)
Fair valuation of securities at FVOCI	-	-	(488)	-	(488)
Fair valuation of Derivatives	(176)	(13)	-	-	(189)
Depreciation and amortisation of Property and Equipment and Intangible assets	(719)	(472)	-	-	(1,191)
Revaluation of buildings	(762)	11	-	-	(751)
Right of use assets	(700)	(220)	-	-	(920)
Other assets	171	(494)	-	-	(323)
Amounts due to credit institutions	(116)	116	-	-	-
Other borrowed funds	41	(41)	-	-	-
Lease liabilities	771	419	-	-	1,190
Insurance reserves	(62)	-	-	62	-
Other liabilities	112	(177)	-	-	(65)
Net deferred tax asset/(liability)	**961**	**(923)**	**(488)**	**62**	**(388)**
Recognised deferred tax asset	3,559	(10)	-	62	3,611
Recognised deferred tax liability	(2,598)	(913)	(488)	-	(3,999)
Net deferred tax asset/(liability)	**961**	**(923)**	**(488)**	**62**	**(388)**

14. Cash and Cash Equivalents

Cash and cash equivalents comprise:

	31 December 2025	31 December 2024
Cash		
Cash on hand	62,203	52,251
Nostro accounts with CBAR	139,387	146,279
Nostro accounts and overnight placements with other banks	9,300	139,459
Total cash	**210,890**	**337,989**
Cash equivalents		
Short-term deposits with CBAR	130,086	-
Short-term deposits with resident banks	20,090	22,217
Short-term deposits with non-resident banks	185,845	13,267
Total cash equivalents	**336,021**	**35,484**
Total cash and cash equivalents	**546,911**	**373,473**

As at 31 December 2025 the Group had outstanding balances with 2 banks (31 December 2024: 2 banks), whose balances exceed 10% of equity. These balances as at 31 December 2025 are AZN 448,563 thousand (31 December 2024: AZN 280,730 thousand).

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

14. Cash and Cash Equivalents (Continued)

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2025. Refer to Note 32 for the description of the Group's credit risk grading system. Refer also to Note 37 for fair value disclosure.

	Cash balances with the CBAR, excluding mandatory reserve	Correspondent accounts and overnight placements	Total
- Excellent	269,472	189,783	459,255
- Good	-	25,340	25,340
- Default	-	113	113
Total cash and cash equivalents, excluding cash on hand	**269,472**	**215,236**	**484,708**

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2024. Refer to Note 32 for the description of the Group's credit risk grading system. Refer also to Note 37 for fair value disclosure.

	Cash balances with the CBAR, excluding mandatory reserve	Correspondent accounts and overnight placements	Total
- Excellent	-	146,992	146,992
- Good	146,279	26,936	173,215
- Default	-	1,015	1,015
Total cash and cash equivalents, excluding cash on hand	**146,279**	**174,943**	**321,222**

For the purpose of measuring Expected Credit Loss (ECL), cash and cash equivalents amounting to AZN 113 thousand (31 December 2024: AZN 1,015 thousand) are considered under Stage 2. All remaining balances are categorized under Stage 1. Given the minimal ECL associated with these balances, the Group decided not to recognize any credit loss allowance for cash and cash equivalents. Refer to Note 32 for the ECL measurement approach.

15. Mandatory reserve with the CBAR

	31 December 2025	31 December 2024
Mandatory reserve with the CBAR	157,104	140,784
Mandatory reserve with the CBAR	**157,104**	**140,784**

The Bank is required to maintain a non-interest earning cash deposit (mandatory reserve) with the CBAR calculated as 10% and 12% (31 December 2024: 10% and 12%) of the previous month average of funds attracted from customers by the Bank in local and foreign currency, respectively.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

15. Mandatory reserve with the CBAR (Continued)

The following table below contain an analysis of mandatory reserve with the CBAR balance by credit quality at 31 December 2025 and 31 December 2024 based on credit risk grades and discloses those balances by three stages for the purpose of ECL measurement. Refer to Note 32 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to due from other banks balances. Refer to Note 32 for external ratings which they are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available.

	31 December 2025 Stage 1 (12-months ECL)	31 December 2024 Stage 1 (12-months ECL)
- Excellent	157,104	-
- Good	-	140,784
Carrying amount	**157,104**	**140,784**

16. Due from Other Banks

	31 December 2025	31 December 2024
Loans and deposits	79,717	-
Blocked accounts	15,701	14,725
Due from other banks, gross	**95,418**	**14,725**
Loss allowance	(668)	(230)
Due from other banks, net of loss allowance	**94,750**	**14,495**

As at 31 December 2025, the Group had no outstanding balance related to blocked guarantee deposits placed by the Group for its plastic cards operations (31 December 2024: no outstanding balance).

As at 31 December 2025 and 31 December 2024 AZN equivalent 2,532 thousand and 2,689 thousand, respectively, are the amounts of deposits in 2 customers (31 December 2024: 6 customers) blocked against the Group's guarantees.

As at 31 December 2025 Group had AZN of 7,530 thousand balance that (31 December 2024: AZN of 6,591 thousand) blocked against the Group's swap contracts.

As at 31 December 2025 AZN equivalent 5,626 thousand is the amount of deposit in one bank (31 December 2024: AZN equivalent 5,445 thousand in one bank) blocked against the Group's forward contracts.

The following table below contain an analysis of due from other banks balances by credit quality at 31 December 2025 based on credit risk grades and discloses those balances by three stages for the purpose of ECL measurement. Refer to Note 32 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to due from other banks balances. Refer to Note 32 for external ratings which they are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

16. Due from other banks (Continued)

	Stage 1 (12-months ECL)		Total
	Placements with other banks with original maturities of more than three months	Blocked accounts	
Placements with other banks			
- Excellent	9,553	-	9,553
- Good	70,164	-	70,164
- Special monitoring	-	15,701	15,701
Gross carrying amount	**79,717**	**15,701**	**95,418**
Credit loss allowance	-	(668)	(668)
Carrying amount	**79,717**	**15,033**	**94,750**

The following table contains an analysis of due from other banks balances by credit quality at 31 December 2024 based on credit risk grades and discloses due from other banks balances by three stages for the purpose of ECL measurement.

	Stage 1 (12-months ECL)	Total
	Blocked accounts	
Placements with other banks		
- Good	6,590	6,590
- Special monitoring	8,135	8,135
Gross carrying amount	**14,725**	**14,725**
Credit loss allowance	(230)	(230)
Carrying amount	**14,495**	**14,495**

17. Loans to Customers

	31 December 2025	31 December 2024
Micro loans	586,145	536,021
SME loans	622,795	549,973
Retail loans	350,262	295,066
Mortgage loans	121,074	98,002
Card loans	1,143	1,442
Gross loans to customers	**1,681,419**	**1,480,504**
Loss allowance	(27,380)	(24,376)
Net loans to customers	**1,654,039**	**1,456,128**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans to customers carried at amortized cost between the beginning and the end of the reporting period and comparative periods:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	**1,352,529**	**110,801**	**17,174**	**1,480,504**
New assets originated or purchased	1,845,127	-	-	1,845,127
Derecognised during the period	(1,528,877)	(107,748)	(5,039)	(1,641,664)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(158,758)	158,758	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(14,068)	(3,639)	17,707	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	71,897	(71,042)	(855)	-
- from Stage 3 to Stage 2	-	1,400	(1,400)	-
Amounts written off	-	-	(2,548)	(2,548)
At 31 December 2025	**1,567,850**	**88,530**	**25,039**	**1,681,419**

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	**(9,199)**	**(8,404)**	**(6,773)**	**(24,376)**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	(8,377)	-	-	(8,377)
Derecognised during the period	2,794	985	2,272	6,051
Changes to ECL measurement model assumptions	2,456	459	78	2,993
Additional ECL charged on loans written off during the year	-	-	(1,807)	(1,807)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	1,539	(2,491)	-	(952)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	64	143	(7,610)	(7,403)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(137)	4,205	357	4,425
- from Stage 3 to Stage 2	-	(33)	623	590
Total movements with impact on credit loss allowance charge for the period	**(1,661)**	**3,268**	**(6,087)**	**(4,480)**
Movements without impact on credit loss allowance charge for the period:				
Amounts written off	-	-	2,548	2,548
Unwinding of discount (for Stage 3)	-	-	(1,072)	(1,072)
At 31 December 2025	**(10,860)**	**(5,136)**	**(11,384)**	**(27,380)**

17. Loans to Customers (Continued)

	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	**1,055,504**	**100,217**	**16,737**	**1,172,458**
New assets originated or purchased	1,684,868	-	-	1,684,868
Derecognised during the period	(1,257,056)	(111,879)	(3,857)	(1,372,792)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(145,261)	145,261	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(9,030)	(2,270)	11,300	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	23,504	(20,899)	(2,605)	-
- from Stage 3 to Stage 2	-	371	(371)	-
Amounts written off	-	-	(4,030)	(4,030)
At 31 December 2024	**1,352,529**	**110,801**	**17,174**	**1,480,504**

In thousands of Azerbaijani manats	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	**(7,884)**	**(6,544)**	**(7,830)**	**(22,258)**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	(14,135)	-	-	(14,135)
Derecognised during the period	4,520	2,016	1,765	8,301
Changes to ECL measurement model assumptions	1,568	2,197	274	4,039
Additional ECL charged on loans written off during the year	(226)	(445)	(608)	(1,279)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	5,357	(6,461)	-	(1,104)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	1,628	116	(3,529)	(1,785)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(27)	720	748	1,441
- from Stage 3 to Stage 2	-	(3)	155	152
Total movements with impact on credit loss allowance charge for the period	**(1,315)**	**(1,860)**	**(1,195)**	**(4,370)**
Movements without impact on credit loss allowance charge for the period:				
Amounts written off	-	-	4,030	4,030
Unwinding of discount (for Stage 3)	-	-	(678)	(678)
Other movement	-	-	(1,100)	(1,100)
At 31 December 2024	**(9,199)**	**(8,404)**	**(6,773)**	**(24,376)**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

Micro loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	**444,310**	**85,049**	**6,662**	**536,021**
New assets originated or purchased	678,277	-	-	678,277
Derecognised during the period	(550,024)	(76,088)	(1,508)	(627,620)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(88,917)	88,917	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(5,682)	(2,528)	8,210	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	49,753	(49,426)	(327)	-
- from Stage 3 to Stage 2	-	647	(647)	-
Amounts written off	-	-	(533)	(533)
At 31 December 2025	**527,717**	**46,571**	**11,857**	**586,145**

Micro loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	**(2,042)**	**(6,982)**	**(2,367)**	**(11,391)**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	(4,220)	-	-	(4,220)
Derecognised during the period	965	360	616	1,941
Changes to ECL measurement model assumptions	1,214	282	34	1,530
Additional ECL charged on loans written off during the year	-	-	(395)	(395)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	738	(927)	-	(189)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	29	118	(4,318)	(4,171)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(103)	4,011	142	4,050
- from Stage 3 to Stage 2	-	(23)	293	270
Total movements with impact on credit loss allowance charge for the period	**(1,377)**	**3,821**	**(3,628)**	**(1,184)**
Movements without impact on credit loss allowance charge for the period:				
Amounts written off	-	-	533	533
Unwinding of discount (for Stage 3)	-	-	(621)	(621)
At 31 December 2025	**(3,419)**	**(3,161)**	**(6,083)**	**(12,663)**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

Micro loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	**361,359**	**80,826**	**4,059**	**446,244**
New assets originated or purchased	640,414	-	-	640,414
Derecognised during the period	(471,121)	(77,435)	(1,150)	(549,706)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(93,938)	93,938	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4,219)	(1,083)	5,302	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	11,815	(11,347)	(468)	-
- from Stage 3 to Stage 2	-	150	(150)	-
Amounts written off	-	-	(931)	(931)
At 31 December 2024	**444,310**	**85,049**	**6,662**	**536,021**

Micro loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	**(2,132)**	**(5,518)**	**(1,803)**	**(9,453)**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	(7,693)	-	-	(7,693)
Derecognised during the period	1,742	1,756	574	4,072
Changes to ECL measurement model assumptions	588	2,006	99	2,693
Additional ECL charged on loans written off during the year	(86)	(98)	(59)	(243)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	4,778	(5,734)	-	(956)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	773	68	(1,795)	(954)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(12)	539	187	714
- from Stage 3 to Stage 2	-	(1)	61	60
Total movements with impact on credit loss allowance charge for the period	**90**	**(1,464)**	**(933)**	**(2,307)**
Movements without impact on credit loss allowance charge for the period:				
Amounts written off	-	-	931	931
Unwinding of discount (for Stage 3)	-	-	(294)	(294)
Other movement	-	-	(268)	(268)
At 31 December 2024	**(2,042)**	**(6,982)**	**(2,367)**	**(11,391)**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

SME loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	**535,371**	**9,496**	**5,106**	**549,973**
New assets originated or purchased	647,109		-	647,109
Derecognised during the period	(565,544)	(6,554)	(2,053)	(574,151)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(25,092)	25,092	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4,858)	(273)	5,131	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	14,363	(14,243)	(120)	-
- from Stage 3 to Stage 2	-	-	-	-
Amounts written off	-	-	(136)	(136)
At 31 December 2025	**601,349**	**13,518**	**7,928**	**622,795**

SME loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	**(4,585)**	**(630)**	**(2,501)**	**(7,716)**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	(603)	-	-	(603)
Derecognised during the period	187	5	1,041	1,233
Changes to ECL measurement model assumptions	1,858	216	(75)	1,999
Additional ECL charged on loans written off during the year	-	-	(106)	(106)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	40	(24)	-	16
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	19	3	(450)	(428)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(10)	129	40	159
- from Stage 3 to Stage 2	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**1,491**	**329**	**450**	**2,270**
Movements without impact on credit loss allowance charge for the period:				
Amounts written off	-	-	136	136
Unwinding of discount (for Stage 3)	-	-	(66)	(66)
At 31 December 2025	**(3,094)**	**(301)**	**(1,981)**	**(5,376)**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

SME loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	**390,241**	**9,407**	**7,426**	**407,074**
New assets originated or purchased	585,006		-	585,006
Derecognised during the period	(417,620)	(22,858)	(1,494)	(441,972)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(31,058)	31,058	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(568)	(369)	937	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	9,370	(7,742)	(1,628)	-
- from Stage 3 to Stage 2	-	-	-	-
Amounts written off	-	-	(135)	(135)
At 31 December 2024	**535,371**	**9,496**	**5,106**	**549,973**

SME loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	**(3,644)**	**(516)**	**(3,179)**	**(7,339)**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	(4,368)	-	-	(4,368)
Derecognised during the period	1,950	152	545	2,647
Changes to ECL measurement model assumptions	974	165	71	1,210
Additional ECL charged on loans written off during the year	-	-	(90)	(90)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	464	(557)	-	(93)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	47	23	(213)	(143)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(8)	103	357	452
- from Stage 3 to Stage 2	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(941)**	**(114)**	**670**	**(385)**
Movements without impact on credit loss allowance charge for the period:				
Amounts written off	-	-	135	135
Unwinding of discount (for Stage 3)	-	-	(127)	(127)
At 31 December 2024	**(4,585)**	**(630)**	**(2,501)**	**(7,716)**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

Retail loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	**278,163**	**11,948**	**4,955**	**295,066**
New assets originated or purchased	478,109	-	-	478,109
Derecognised during the period	(395,895)	(23,934)	(1,213)	(421,042)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(43,611)	43,611	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(3,347)	(817)	4,164	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	4,593	(4,191)	(402)	-
- from Stage 3 to Stage 2	-	725	(725)	-
Amounts written off	-	-	(1,871)	(1,871)
At 31 December 2025	**318,012**	**27,342**	**4,908**	**350,262**

Retail loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	**(2,544)**	**(733)**	**(1,577)**	**(4,854)**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	(3,514)	-	-	(3,514)
Derecognised during the period	1,586	623	615	2,824
Changes to ECL measurement model assumptions	(292)	(60)	105	(247)
Additional ECL charged on loans written off during the year	-	-	(1,298)	(1,298)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	753	(1,481)	-	(728)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	16	21	(2,832)	(2,795)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(10)	31	170	191
- from Stage 3 to Stage 2	-	(10)	328	318
Total movements with impact on credit loss allowance charge for the period	**(1,461)**	**(876)**	**(2,912)**	**(5,249)**
Movements without impact on credit loss allowance charge for the period:				
Amounts written off	-	-	1,871	1,871
Unwinding of discount (for Stage 3)	-	-	(383)	(383)
At 31 December 2025	**(4,005)**	**(1,609)**	**(3,001)**	**(8,615)**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

Retail loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying value as at 1 January 2024	**223,190**	**6,014**	**4,676**	**233,880**
New assets originated or purchased	421,736	-	-	421,736
Derecognised during the period	(347,759)	(8,901)	(999)	(357,659)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(16,011)	16,011	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4,107)	(720)	4,827	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,114	(655)	(459)	-
- from Stage 3 to Stage 2	-	199	(199)	-
Amounts written off	-	-	(2,891)	(2,891)
At 31 December 2024	**278,163**	**11,948**	**4,955**	**295,066**

Retail loans	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2024	**(2,006)**	**(366)**	**(2,484)**	**(4,856)**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	(2,051)	-	-	(2,051)
Derecognised during the period	778	50	603	1,431
Changes to ECL measurement model assumptions	(28)	22	147	141
Additional ECL charged on loans written off during the year	(140)	(347)	(437)	(924)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	101	(121)	-	(20)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	807	20	(1,493)	(666)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(5)	11	191	197
- from Stage 3 to Stage 2	-	(2)	88	86
Total movements with impact on credit loss allowance charge for the period	**(538)**	**(367)**	**(901)**	**(1,806)**
Movements without impact on credit loss allowance charge for the period:				
Amounts written off	-	-	2,891	2,891
Unwinding of discount (for Stage 3)	-	-	(251)	(251)
Other movement	-	-	(832)	(832)
At 31 December 2024	**(2,544)**	**(733)**	**(1,577)**	**(4,854)**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	**93,891**	**3,772**	**339**	**98,002**
New assets originated or purchased	39,685	-	-	39,685
Derecognised during the period	(15,252)	(953)	(400)	(16,605)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(954)	954	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(98)	(19)	117	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	2,776	(2,776)	-	-
- from Stage 3 to Stage 2	-	25	(25)	-
Amounts written off	-	-	(8)	(8)
At 31 December 2025	**120,048**	**1,003**	**23**	**121,074**

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	**(11)**	**(39)**	**(77)**	**(127)**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	(31)	-	-	(31)
Derecognised during the period	46	5	23	74
Changes to ECL measurement model assumptions	(327)	18	50	(259)
Additional ECL charged on loans written off during the year	-	-	(8)	(8)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	4	(56)	-	(52)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	-	(11)	(11)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(9)	11	-	2
- from Stage 3 to Stage 2	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(317)**	**(22)**	**54**	**(285)**
Movements without impact on credit loss allowance charge for the period:				
Amounts written off	-	-	8	8
Unwinding of discount (for Stage 3)	-	-	(2)	(2)
At 31 December 2025	**(328)**	**(61)**	**(17)**	**(406)**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	**80,305**	**3,296**	**302**	**83,903**
New assets originated or purchased	35,210	-	-	35,210
Derecognised during the period	(18,816)	(2,092)	(130)	(21,038)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	(3,724)	3,724	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(239)	(72)	311	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	1,155	(1,106)	(49)	-
- from Stage 3 to Stage 2	-	22	(22)	-
Amounts written off	-	-	(73)	(73)
At 31 December 2024	**93,891**	**3,772**	**339**	**98,002**

Mortgage loans	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	**(83)**	**(115)**	**(132)**	**(330)**
Movements with impact on credit loss allowance charge for the period:				
New assets originated or purchased	(8)	-	-	(8)
Derecognised during the period	46	36	4	86
Changes to ECL measurement model assumptions	33	6	4	43
Additional ECL charged on loans written off during the year	-	-	(22)	(22)
Transfers:				
- to lifetime (from Stage 1 to Stage 2)	2	(32)	-	(30)
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	2	(16)	(14)
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(1)	64	13	76
- from Stage 3 to Stage 2	-	-	6	6
Total movements with impact on credit loss allowance charge for the period	**72**	**76**	**(11)**	**137**
Movements without impact on credit loss allowance charge for the period:				
Amounts written off	-	-	73	73
Unwinding of discount (for Stage 3)	-	-	(7)	(7)
At 31 December 2024	**(11)**	**(39)**	**(77)**	**(127)**

Significant credit exposures

As at 31 December 2025, the Group had 22 borrowers (31 December 2024: 20 borrowers) with gross loan balances exceeding AZN 4,000 thousand. The total gross value of these loans as at 31 December 2025 was AZN 190,845 thousand or 11.1% of the total loans to customers (31 December 2024: AZN 154,352 thousand or 10%). An allowance of AZN 200 thousand (31 December 2024: AZN 250 thousand) was recognised against these loans. The loss allowance in the tables above excludes ECL on loan commitments, because the Group can separately identify the ECL on the loan commitment component from those on the financial instrument component.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

Economic Sector

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

	2025		2024	
	Amount	**%**	**Amount**	**%**
Agriculture	401,297	24.25%	294,046	20.19%
Individuals	341,647	20.65%	290,212	19.93%
Trade	322,828	19.52%	309,591	21.27%
Service	217,758	13.17%	209,717	14.40%
Mortgage	120,668	7.30%	99,915	6.86%
Manufacturing	103,754	6.27%	101,640	6.98%
Construction	74,721	4.52%	67,627	4.64%
Transportation	64,267	3.89%	63,762	4.38%
Other	7,099	0.43%	19,618	1.35%
Total loans and advances to customers carried at AC	**1,654,039**	**100.00%**	**1,456,128**	**100.00%**

Credit quality analysis

The following table sets out information about the credit quality of loans to customers measured at amortized cost as at 31 December 2025 and as at 31 December 2024 based on days past due. Unless specially indicated, the amounts in the table represent gross carrying amounts.

	31 December 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Micro Loans				
Not past due	527,385	43,789	3,130	574,304
Less than 30 days	332	1,733	277	2,342
31 to 90 days	-	1,049	470	1,519
91 to 180 days	-	-	1,846	1,846
181 to 360 days	-	-	2,813	2,813
Over 360 days	-	-	3,321	3,321
Total	**527,717**	**46,571**	**11,857**	**586,145**
Loss allowance	(3,419)	(3,161)	(6,083)	(12,663)
Carrying amount	**524,298**	**43,410**	**5,774**	**573,482**

	31 December 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Micro Loans				
Not past due	443,837	83,043	1,658	528,538
Less than 30 days	473	933	94	1,500
31 to 90 days	-	1,073	174	1,247
91 to 180 days	-	-	1,498	1,498
181 to 360 days	-	-	1,602	1,602
Over 360 days	-	-	1,636	1,636
Total	**444,310**	**85,049**	**6,662**	**536,021**
Loss allowance	(2,042)	(6,982)	(2,367)	(11,391)
Carrying amount	**442,268**	**78,067**	**4,295**	**524,630**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

	31 December 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
SME Loans				
Not past due	601,160	13,360	5,385	619,905
Less than 30 days	189	20	-	209
31 to 90 days	-	138	46	184
91 to 180 days	-	-	1,216	1,216
181 to 360 days	-	-	121	121
Over 360 days	-	-	1,160	1,160
Total	**601,349**	**13,518**	**7,928**	**622,795**
Loss allowance	(3,094)	(301)	(1,981)	(5,376)
Carrying amount	**598,255**	**13,217**	**5,947**	**617,419**

	31 December 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
SME Loans				
Not past due	534,728	8,529	308	543,565
Less than 30 days	643	714	-	1,357
31 to 90 days	-	253	252	505
91 to 180 days	-	-	441	441
181 to 360 days	-	-	2,391	2,391
Over 360 days	-	-	1,714	1,714
Total	**535,371**	**9,496**	**5,106**	**549,973**
Loss allowance	(4,585)	(630)	(2,501)	(7,716)
Carrying amount	**530,786**	**8,866**	**2,605**	**542,257**

	31 December 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Retail Loans				
Not past due	316,367	19,205	608	336,180
Less than 30 days	1,645	6,548	157	8,350
31 to 90 days	-	1,589	519	2,108
91 to 180 days	-	-	1,260	1,260
181 to 360 days	-	-	1,293	1,293
Over 360 days	-	-	1,071	1,071
Total	**318,012**	**27,342**	**4,908**	**350,262**
Loss allowance	(4,005)	(1,609)	(3,001)	(8,615)
Carrying amount	**314,007**	**25,733**	**1,907**	**341,647**

	31 December 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Retail Loans				
Not past due	275,490	7,894	1,172	284,556
Less than 30 days	2,673	2,617	86	5,376
31 to 90 days	-	1,437	234	1,671
91 to 180 days	-	-	1,121	1,121
181 to 360 days	-	-	1,498	1,498
Over 360 days	-	-	844	844
Total	**278,163**	**11,948**	**4,955**	**295,066**
Loss allowance	(2,544)	(733)	(1,577)	(4,854)
Carrying amount	**275,619**	**11,215**	**3,378**	**290,212**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

	31 December 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Mortgage Loans				
Not past due	120,048	687	-	120,735
Less than 30 days	-	265	-	265
31 to 90 days	-	51	-	51
91 to 180 days	-	-	7	7
181 to 360 days	-	-	3	3
Over 360 days	-	-	13	13
Total	**120,048**	**1,003**	**23**	**121,074**
Loss allowance	(328)	(61)	(17)	(406)
Carrying amount	**119,720**	**942**	**6**	**120,668**

	31 December 2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Mortgage Loans				
Not past due	93,891	3,385	75	97,351
Less than 30 days	-	317	-	317
31 to 90 days	-	70	-	70
91 to 180 days	-	-	-	-
181 to 360 days	-	-	-	-
Over 360 days	-	-	264	264
Total	**93,891**	**3,772**	**339**	**98,002**
Loss allowance	(11)	(39)	(77)	(127)
Carrying amount	**93,880**	**3,733**	**262**	**97,875**

Sensitivity

31 December 2025

LGD increase. 10 percentage points increase in LGD estimates would result in an increase in total expected credit loss allowances of AZN 4,544 thousand at 31 December 2025 (31 December 2024: AZN 4,766 thousand).

A 10 percentage points increase in LGD estimates for the SME segment would result in an increase in total expected credit loss allowances of AZN 602 thousand at 31 December 2025 (31 December 2024: AZN 1,020 thousand). A 10 percentage points increase in LGD estimates for the Micro segment would result in an increase in total expected credit loss allowances of AZN 2,124 thousand at 31 December 2025 (31 December 2024: AZN 2,685 thousand). A 10 percentage points increase in LGD estimates for the Retail segment would result in an increase in total expected credit loss allowances of AZN 1,646 thousand at 31 December 2025 (31 December 2024: AZN 955 thousand). A 10 percentage points increase in LGD estimates for the Mortgage segment would result in an increase in total expected credit loss allowances of AZN 162 thousand at 31 December 2025 (31 December 2024: AZN 68 thousand). A 10 percentage points increase in LGD estimates for the Cards segment would result in an increase in total expected credit loss allowances of AZN 10 thousand at 31 December 2025 (31 December 2024: AZN 37 thousand).

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by AZN 5,863 thousand as of 31 December 2025 (31 December 2024: AZN 3,962 thousand).

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in stage 1 measured at 12-months ECL) for the SME segment, the expected credit loss allowance would be higher by AZN 231 thousand as of 31 December 2025 (31 December 2024: AZN 913 thousand). Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in stage 1 measured at 12-months ECL) for the Micro segment, the expected credit loss allowance would be higher by AZN 1,555 thousand as of 31 December 2025 (31 December 2024: AZN 1,459 thousand). Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in stage 1 measured at 12-months ECL) for the Retail segment, the expected credit loss allowance would be higher by AZN 2,853 thousand as of 31 December 2025 (31 December 2024: AZN 1,213 thousand). Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in stage 1 measured at 12-months ECL) for the Mortgage segment, the expected credit loss allowance would be higher by AZN 1,221 thousand as of 31 December 2025 (31 December 2024: AZN 374 thousand). Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in stage 1 measured at 12-months ECL) for the Cards segment, the expected credit loss allowance would be higher by AZN 3 thousand as of 31 December 2025 (31 December 2024: the expected credit loss allowance would be higher by AZN 3 thousand as of 31 December 2024).

Collateral held and other credit enhancements

The disclosure below represents the lower of the carrying value of the loan or fair value of collateral taken; the remaining part is disclosed within the “unsecured exposures”. The carrying value of loans was allocated based on carrying amount of the assets taken as collateral.

The Group obtains collateral valuation at the time of granting loans and updates it when a new loan is obtained for that collateral after six months depending on the significance of the loan exposure. In addition, all collaterals are being revalued every 6-18 months depending on the type of collateral and loan segment.

Description of collateral held for loans carried at amortised cost is as follows at 31 December 2025:

	SME loans	Micro loans	Retail loans	Mortgage loans	Card loans	Total
Loans collateralised by:						
- Real estate	456,192	185,073	7,872	120,405	-	769,542
- Cash and deposits	30,834	1,043	4,169	-	-	36,046
- Motor vehicles	46,931	51,213	488	40	-	98,672
- Precious metals	5,926	7,199	116,207	-	-	129,332
- Other (equipment, inventory, and others)	21,028	203,186	-	-	-	224,214
Total	**560,911**	**447,714**	**128,736**	**120,445**	**-**	**1,257,806**
Government fund guarantees	6,985	-	-	223	-	7,208
Unsecured exposures	49,523	125,768	212,911	-	823	389,025
Total carrying value of loans to customers at AC	**617,419**	**573,482**	**341,647**	**120,668**	**823**	**1,654,039**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

Description of collateral held for loans carried at amortised cost is as follows at 31 December 2024:

	SME loans	Micro loans	Retail loans	Mortgage loans	Card loans	Total
Loans collateralised by:						
- Real estate	421,754	145,341	8,046	97,566	-	672,707
- Cash and deposits	30,460	1,054	7,266	-	-	38,780
- Motor vehicles	16,574	52,143	212	40	-	68,969
- Precious metals	41	7,042	67,159	-	-	74,242
- Other (equipment, inventory, and others)	36,170	197,696	14	-	-	233,880
Total	**504,999**	**403,276**	**82,697**	**97,606**	**-**	**1,088,578**
Government fund guarantees	5,640	-	-	269	-	5,909
Unsecured exposures	31,618	121,354	207,515	-	1,154	361,641
Total carrying value of loans to customers at AC	**542,257**	**524,630**	**290,212**	**97,875**	**1,154**	**1,456,128**

The following table sets out information on loans to customers that are credit-impaired and related collateral held in order to mitigate potential losses as at 31 December 2025:

	SME loans	Micro loans	Retail loans	Mortgage loans	Card loans	Total
Loans collateralised by:						
- Real estate	3,334	1,553	53	6	-	4,946
- Cash and deposits	2,352	-	-	-	-	2,352
- Motor vehicles	199	1,893	-	-	-	2,092
- Precious metals	-	19	69	-	-	88
- Other (equipment, inventory, and others)	-	1,913	-	-	-	1,913
Total	**5,885**	**5,378**	**122**	**6**	**-**	**11,392**
Unsecured exposures	62	396	1,785	-	21	2,264
Total carrying value of loans to customers at AC	**5,947**	**5,774**	**1,907**	**6**	**21**	**13,655**

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

	SME loans	Micro loans	Retail loans	Mortgage loans	Card loans	Total
Loans collateralised by:						
- Real estate	742	864	61	54	-	1,721
- Motor vehicles	241	698	-	-	-	939
- Precious metals	-	14	394	-	-	408
- Other (equipment, inventory, and others)	15	721	-	-	-	736
Total	**998**	**2,297**	**455**	**54**	**-**	**3,804**
Unsecured exposures	1,607	1,998	2,923	208	116	6,852
Total carrying value of loans to customers at AC	**2,605**	**4,295**	**3,378**	**262**	**116**	**10,656**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

17. Loans to Customers (Continued)

Loan maturities

The maturity of the loan portfolio is presented in Note 32, which shows the remaining period from the reporting date to the contractual maturity of the loans.

18. Investment Securities

	31 December 2025	31 December 2024
Investment in debt securities at AC	141,530	57,531
Investment securities at FVOCI - equity instruments	4,891	3,215
Investment securities, gross	**146,421**	**60,746**
Loss allowance	(77)	(198)
Total investment securities	**146,344**	**60,548**

Investment in debt securities at AC. The table below discloses investments in debt securities at 31 December 2025 by measurement categories and classes:

	Investment in debt securities at AC	Total
Government bonds	123,094	123,094
Corporate bonds	18,436	18,436
Total investments in debt securities at 31 December 2025 (gross carrying value)	**141,530**	**141,530**
Credit loss allowance	(77)	(77)
Total investments in debt securities at 31 December 2025 (carrying value)	**141,453**	**141,453**

The table below discloses investments in debt securities at 31 December 2024 by measurement categories and classes:

	Investment in debt securities at AC	Total
Government bonds	22,489	22,489
Corporate bonds	35,042	35,042
Total investments in debt securities at 31 December 2024 (gross carrying value)	**57,531**	**57,531**
Credit loss allowance	(198)	(198)
Total investments in debt securities at 31 December 2024 (carrying value)	**57,333**	**57,333**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

18. Investment Securities (Continued)

The carrying amount of investment in debt securities at AC at 31 December 2025 and 31 December 2024 below also represents the Group' maximum exposure to credit risk on these assets:

	31 December 2025 Stage 1 (12-months ECL)	31 December 2024 Stage 1 (12-months ECL)
Government bonds		
- Excellent	123,094	-
- Good	-	22,489
Corporate bonds		
- Excellent	8,500	-
- Good	9,936	35,042
Gross carrying amount	**141,530**	**57,531**
Credit loss allowance	(77)	(198)
Carrying amount	**141,453**	**57,333**

Investment securities designated at FVOCI - equity instruments. Investment securities designated at FVOCI consist of equity investments expected to be held for the long-term for strategic purposes. During 2025 the Bank received dividend from “Azerbaijan Credit Bureau LLC” in the amount of AZN 1,781 thousand (2024: AZN 950 thousand). Refer to Note 11.

	Ownership,%	2025	Ownership,%	2024
Milli Kart LLC	-	-	8.3%	124
Azerbaijan Credit Bureau LLC	12.5%	4,864	12.5%	3,067
SWIFT	0.004%	27	0.004%	24
Total equity instruments		**4,891**		**3,215**

19. Derivative Financial Instruments

The Bank enters into derivative financial instruments for hedging purposes (currency risk hedging), however it does not apply hedge accounting. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative’s underlying asset or liability and is a basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of credit risk.

	Notional amount	31 December 2025 Fair value		Notional amount	31 December 2024 Fair value	
		Assets	Liabilities		Assets	Liabilities
Swaps – domestic counterparty	-	-	-	-	-	-
Swaps – foreign counterparty	183,256	2,471	(1,485)	131,140	3,465	(1,125)
Forwards - foreign counterparty	-	-	-	9,964	-	(1,393)
Total derivative financial instruments	**183,256**	**2,471**	**(1,485)**	**141,104**	**3,465**	**(2,518)**

19. Derivative Financial Instruments (Continued)

Foreign exchange derivative financial instruments entered into by the Bank are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Respective changes in the fair value were as follows and presented within the ‘Losses less gains from financial derivatives’ line item in the consolidated statement of profit or loss and other comprehensive income:

	2025	**2024**
Interest expense on derivative financial instruments, net	(9,094)	(7,193)
Fair value gain from derivative financial instruments, net	39	65
Gains less (losses) from financial derivatives	**(9,055)**	**(7,128)**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

20. Property and Equipment, Right of Use Assets, and Intangible Assets

	Land	Buildings	Fixtures and equipment	Computers	Motor vehicles	Leasehold improvements	Other equipment	Right-of-use assets	Total Property and equipment and right of use assets	Computer software and licenses
Cost/revalued amount										
Balance at 1 January 2024	**36**	**30,373**	**13,183**	**16,784**	**2,387**	**2,381**	**946**	**6,943**	**73,033**	**9,478**
Additions	-	399	790	2,223	431	271	-	1,125	5,239	800
Disposals	-	(12)	(8)	(145)	(56)	-	(59)	(571)	(851)	-
Reassessment and modification of lease agreements	-	-	-	-	-	-	-	2,543	2,543	-
Transfers	-	-	(1,374)	1,374	-	-	-	-	-	-
Reclassification to non-current assets held for sale (or disposal groups)	-	-	-	(270)	(153)	-	(216)	(405)	(1,044)	(861)
Balance at 31 December 2024	**36**	**30,760**	**12,591**	**19,966**	**2,609**	**2,652**	**671**	**9,635**	**78,920**	**9,417**
Additions	-	2,741	1,450	1,792	49	760	16	92	6,900	358
Disposals	-	-	(1,368)	(2,896)	(90)	(2)	(273)	(86)	(4,715)	(460)
Reassessment and modification of lease agreements	-	-	-	-	-	-	-	827	827	-
Balance at 31 December 2025	**36**	**33,501**	**12,673**	**18,862**	**2,568**	**3,410**	**414**	**10,468**	**81,932**	**9,315**
Accumulated depreciation										
Balance at 1 January 2024	**-**	**(232)**	**(8,206)**	**(9,620)**	**(1,296)**	**(1,275)**	**(862)**	**(3,444)**	**(24,935)**	**(6,167)**
Depreciation for the year	-	(434)	(658)	(2,025)	(128)	(173)	(11)	(2,025)	(5,454)	(362)
Elimination on disposals	-	15	20	99	69	1	39	449	692	-
Transfers	-	-	596	(596)	-	-	-	-	-	-
Reclassification to non-current assets held for sale (or disposal groups)	-	-	-	198	91	-	178	(17)	450	343
Balance at 31 December 2024	**-**	**(651)**	**(8,248)**	**(11,944)**	**(1,264)**	**(1,447)**	**(656)**	**(5,037)**	**(29,247)**	**(6,186)**
Depreciation for the year	-	(453)	(717)	(1,947)	(138)	(214)	(14)	(2,418)	(5,901)	(606)
Elimination on disposals	-	-	1,291	2,796	88	2	273	38	4,488	460
Balance at 31 December 2025	**-**	**(1,104)**	**(7,674)**	**(11,095)**	**(1,314)**	**(1,659)**	**(397)**	**(7,417)**	**(30,660)**	**(6,332)**
Carrying amount										
At 31 December 2024	**36**	**30,109**	**4,343**	**8,022**	**1,345**	**1,205**	**15**	**4,598**	**49,673**	**3,231**
At 31 December 2025	**36**	**32,397**	**4,999**	**7,767**	**1,254**	**1,751**	**17**	**3,051**	**51,272**	**2,983**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

20. Property and Equipment, Right of Use Assets, and Intangible Assets (Continued)

Property and equipment. As at 31 December 2025 and 31 December 2024, included in property and equipment were fully depreciated assets of AZN 11,233 thousand and AZN 11,240 thousand, respectively.

Buildings owned by the Group are carried at revalued amounts based on the independent appraiser's report. As at 31 December 2025 and 31 December 2024, the carrying value of these buildings approximate their fair values. If the buildings were accounted at historical cost less accumulated depreciation and impairment losses, its carrying value would be AZN 19,659 thousand as at 31 December 2025 (31 December 2024: AZN 17,971 thousand).

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

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2025 and 31 December 2024 are as follows:

	31 December 2025		31 December 2024	
	Level 3	**Fair value**	**Level 3**	**Fair value**
Buildings	32,397	32,397	30,109	30,109
Total	**32,397**	**32,397**	**30,109**	**30,109**

Intangible assets. As at 31 December 2025 and 31 December 2024, included in computer software and licenses were fully amortised assets of AZN 4,746 thousand and AZN 4,797 thousand, respectively.

Right of use assets. Useful lives are accounting estimates and 10% increase/decrease in useful lives would result in decrease by 279 thousand AZN and increase by 228 thousand AZN in depreciation expense of right-of-use assets for the year (31 December 2024: decrease by 384 thousand AZN and decrease by 273 thousand AZN), respectively.

The Group leases offices. Rental contracts are typically made for fixed periods of 1 year to 7 years, but may have extension options.

All 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 Group.

In respect of right of use assets disclosed in table above, the Group recognised lease liabilities as follows:

	31 December 2025	31 December 2024
Short-term lease liabilities	1,709	1,480
Long-term lease liabilities	3,200	4,471
Total lease liabilities	**4,909**	**5,951**

21. Other Assets

	31 December 2025	31 December 2024
Settlements on money transfers	13,531	17,470
Other financial assets	42	69
Total other financial assets	**13,573**	**17,539**
Prepayments for property, equipment, and intangible assets	213	1,455
Deferred expenses	5,740	4,088
Other prepayments	542	2,620
Allowance for impairment losses	(77)	(77)
Total other non-financial assets	**6,418**	**8,086**
Total other assets	**19,991**	**25,625**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

22. Repossessed Collateral

As of 31 December 2025 and 31 December 2024, repossessed collateral in the amount of AZN 1,112 thousand and AZN 1,049 thousand, respectively, is represented by real estate (apartments, land and non-living area), which the Group took possession of, and is available for sale. During the year, the Group did not recognise an impairment charge (31 December 2024: AZN 1,100 thousand) on repossessed collateral.

23. Amounts Due to Credit Institutions

	31 December 2025	31 December 2024
Term deposits	241,218	18,395
Current accounts	2,426	1,726
Total Amounts Due to Credit Institutions	**243,644**	**20,121**

As at 31 December 2025 the Group had overnight balances with 2 banks (31 December 2024: zero) and short-term deposit balances with 4 banks (31 December 2024: 3 banks). These balances as at 31 December 2025 are AZN 122,424 thousand (31 December 2024: zero) and AZN 118,794 thousand (31 December 2024: AZN 18,395 thousand), respectively.

24. Amounts Due to Customers

	31 December 2025	31 December 2024
Current accounts and demand deposits		
- Corporate	584,379	534,440
- Retail	147,513	144,899
Term deposits		
- Retail	466,024	499,262
- Corporate	266,362	193,783
Total Amounts due to customers	**1,464,278**	**1,372,384**

Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at AC. Current accounts and deposits of entrepreneurs held with the Group are included in Corporate segment line in the table above.

State and public organizations exclude government owned profit-orientated businesses.

Economic sector concentrations within customer accounts are as follows:

	31 December 2025		31 December 2024	
	Amount	**%**	**Amount**	**%**
Individuals	634,311	43%	645,601	47%
Oil and gas	310,182	21%	320,391	23%
State and public organisations	144,896	10%	132,528	10%
Trade	82,308	6%	69,508	5%
Financial sector	76,671	5%	42,931	3%
Construction	46,979	3%	38,406	3%
Agriculture	29,730	2%	18,627	1%
Manufacturing	25,646	2%	19,977	1%
Other	113,555	8%	84,415	6%
Total amounts due to customers	**1,464,278**	**100%**	**1,372,384**	**100%**

As at 31 December 2025, the Group has 5 customers (31 December 2024: 3 customers), whose balances exceed 10% of equity. These balances as at 31 December 2025 total to AZN 487,613 thousand (31 December 2024: AZN 428,080 thousand).

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

25. Subordinated Borrowings

	Currency	Maturity dates	2025 nominal interest rate	31 December 2025	2024 nominal interest rate	31 December 2024
Subordinated borrowings from foreign credit institutions - third parties	USD	2031-2032	9.00%-10.42%	23,525	8.75%-11.61%	37,409
Total subordinated borrowings				**23,525**		**37,409**

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

EMF Microfinance Fund (EMF). There were two active issuances of subordinated debt from EMF with 2 June 2032 and 13 July 2030 maturity dates, respectively. The rate on the loan facility as stipulated in the underlying agreement is fixed at certain time intervals until maturity. The loan was repaid early and effectively matured in July 2025, upon which the outstanding principal amount was paid in full. Accordingly, no subordinated debt balance related to this issuance remained outstanding as at December 2025 (31 December 2024: AZN 13,600 thousand).

INCOFIN CVSO CVBA SO (INCOFIN). On 28 March 2023, the Group entered into new synthetic USD subordinated loan agreement with INCOFIN, a Belgian investment company for 8 years in the amount of the equivalent in USD of EUR 2,000 thousand.

Responsability. On 30 October 2024, the Group entered into subordinated debt with Responsability Global, Responsability Sicav, Resposability Micro, a Luxembourg company for 8 years in the amount of USD 1,500 thousand, USD 2,000 thousand and USD 1,500 thousand.

International Bank of Azerbaijan (IBAR). On 29 March 2024, the Group entered into new subordinated debt with IBAR for 7 years in the amount of AZN 3,400 thousand.

Other. On 17 September 2024, the Group entered into two subordinated debts with Axundova Motabar for 7 years and 8 years in the amount of AZN 5,100 thousand and AZN 2,550 thousand, respectively.

For liquidity disclosure refer to Note 32.

26. Other Borrowed Funds

	31 December 2025	31 December 2024
Loans from local credit institutions:		
The Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan (MCGF)	119,537	96,642
National Entrepreneurship Support Fund National Entrepreneurship Support Fund (NESF)	118,782	97,915
Agrarian Credit and Development Agency (ACDA)	27,891	14,466
Total loans from local credit institutions	**266,210**	**209,023**
Loans from foreign credit institutions:		
Dutch Entrepreneurial Development Bank (FMO)	174,932	83,910
European Fund for Southeast Europe (EFSE)	58,935	35,857
International Finance Corporation (IFC)	55,843	78,535
European Bank for Reconstruction and Development (EBRD)	40,824	15,508
Responsability	26,851	-
Asian Development Bank (ADB)	22,507	34,886
European Investment Bank (EIB)	19,466	19,459
INCOFIN CVSO CVBA SO (INCOFIN)	3,519	6,841
Total loans from foreign credit institutions	**402,877**	**274,996**
Total loans received from local and foreign credit institutions	**669,087**	**484,019**

26. Other Borrowed Funds (Continued)

Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan (MCGF). Under this program, funds made available to the Group at interest rates of 1-4% p.a. and the Group further lends these funds to eligible borrowers at rates not higher than 8% p.a. These loans have maturity periods from 7 to 30 years.

National Entrepreneurship Support Fund (NESF). Under this program, funds made available to the Group at an interest rate of 1-2% p.a. and the Group further lends these funds to eligible borrowers at rates not higher than 6% p.a. These loans have maturity periods up to 5 years.

Agrarian Credit and Development Agency under the Ministry of Agriculture (ACDA). Under this program, funds made available to the Group at an interest rate of 1% and 2.5% p.a. and the Group further lends these funds to eligible borrowers at rates 5% and 12% p.a. respectively. The loans are repayable within 5 years from issue date.

In estimating the effective interest rates for term borrowings from NESF, MCGF and ACDA the Group considers this market as a separate market from other commercial borrowing business as these loans are issued to the whole banking sector of Azerbaijan at the same terms, purposes, conditions and credit risk exposures.

Included in loans received from foreign credit institutions are AZN and synthetic AZN loans from third party foreign credit institutions. These loans have original maturity periods from 12 months to 3 years (31 December 2024: original maturity periods from 12 months to 4 years). Interest rates on these loans are fixed on disbursement date and range from 8.03 % to 11.60% as at 31 December 2025 (31 December 2024: fixed and range from 8.9 % to 11.45%).

Dutch Entrepreneurial Development Bank (FMO). The Bank shall pay interest on the AZN loan at a fixed rate per annum and the base rate for such LCY Loan. "Base rate" means in relation to each LCY Loan the Local Currency fixed rate equivalent of SOFR as determined by FMO on the basis of the Hedging Arrangements or if FMO deems SOFR no longer appropriate for the purpose of calculating the Base Rate for the relevant LCY Loan, such other rate as determined by FMO and notified to the Bank.

European Fund for Southeast Europe (EFSE). The Bank shall pay on outstanding principal amount at fixed rate per annum in AZN.

International Finance Corporation (IFC). The Bank shall pay on outstanding two tranches principal amount at fixed rate per annum in AZN. The Bank also shall pay on outstanding two other tranches principal amount at the sum of relevant spread and SOFR rate per annum in USD.

European Bank for Reconstruction and Development (EBRD). The Bank shall pay interest on synthetic AZN loans at a rate equal to the sum of the relevant margin and the applicable Fixed Interest Rate. "Fixed interest rate" means, with respect to each disbursement, a fixed rate available to EBRD from whatever sources EBRD may select no later than the date of such disbursement, taking into account the principal repayment and interest payment schedules for such disbursement, as such sum may be adjusted to take into account the creditworthiness of the Bank. The margin is fixed in the agreements.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

26. Other Borrowed Funds (Continued)

***Responsability*.** On 5 February 2025, the Group entered into new debt agreements with Responsability Sicav and MultiConcept Fund Management S.A., Luxembourg companies, acting on behalf of the investment fund – responsAbility Global Micro and SME Finance Fund, for 3 years in the amount of AZN 7,650 thousand, AZN 7,650 thousand, AZN 5,100 thousand and AZN 5,100 thousand, respectively, at the fixed interest rate per annum.

Asian Development Bank (ADB). The Bank shall pay on outstanding principal amount at fixed rate for first and second tranches, respectively, per annum in AZN.

European Investment Bank (EIB). The Bank shall pay on outstanding principal amount at fixed rate per annum in AZN.

INCOFIN CVSO CVBA SO (INCOFIN). The Bank shall pay on outstanding principal amount at fixed rate per annum in AZN.

As at 31 December 2025 and 31 December 2024, loans received from local and foreign credit institutions did not include loans from related party foreign credit institutions.

The Group is obligated to comply with financial covenants in relation to loans received from foreign credit institutions. These covenants include debt to equity ratios and various other financial performance ratios. The Group's compliance with these financial covenants is disclosed in Note 34.

27. Bonds Issued

As at 31 December 2025, the Bank has issued a total of 5,000 bonds listed on the Baku Stock Exchange. The bonds were issued on 13 March 2025 with a maturity of eight years. Each bond has a nominal value of USD 1,000 and carries a fixed coupon rate of 8.5% per annum, payable quarterly. The bonds were issued through public placement and were fully subscribed by investors.

	31 December 2025	31 December 2024
Bonds issued on domestic market	8,536	-
Total debt securities in issue	**8,536**	**-**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

28. Reconciliation of Liabilities Arising from Financing Activities

The table below sets out movements in the Bank's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows:

	Other Borrowed funds	Subordinated loans	Bonds issued	Lease liabilities	Dividend payable	Total
Liabilities from financing activities at 1 January 2024	**322,819**	**29,899**	**35,719**	**4,232**	**-**	**392,669**
Cash movements						
Proceeds during the year	340,492	19,550	-	-	-	360,042
Repayment of principal	(180,291)	(11,900)	(35,000)	-	-	(227,191)
Payments of interest	(19,552)	(3,623)	(1,488)	(609)	-	(25,272)
Repayment of lease	-	-	-	(1,194)	-	(1,194)
Dividends paid	-	-	-	-	(10,415)	(10,415)
Non-cash movements						
Dividends declared	-	-	-	-	10,415	10,415
Additions	-	-	-	1,083	-	1,083
Unwinding of interest expense	20,551	3,483	769	609	-	25,412
Modifications	-	-	-	2,543	-	2,543
Other movements	-	-	-	(713)	-	(713)
Liabilities from financing activities at 31 December 2024	**484,019**	**37,409**	**-**	**5,951**	**-**	**527,379**
Cash movements						
Proceeds during the year	451,193	-	-	-	-	451,193
Repayment of principal	(268,304)	(13,600)	-	-	-	(281,904)
Payments of interest	(41,433)	(3,108)	(542)	(122)	-	(45,205)
Repayment of lease	-	-	-	(1,909)	-	(1,909)
Dividends paid	-	-	-	-	(12,558)	(12,558)
Non-cash movements						
Dividends declared	-	-	-	-	12,558	12,558
Additions	-	-	8,500	92	-	8,592
Unwinding of interest expense	43,612	2,824	578	122	-	47,136
Modifications	-	-	-	827	-	827
Other movements	-	-	-	(52)	-	(52)
Liabilities from financing activities at 31 December 2025	**669,087**	**23,525**	**8,536**	**4,909**	**-**	**706,057**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

29. Other Liabilities

	31 December 2025	31 December 2024
Items in course of settlement	3,185	3,907
Settlements on money transfers and plastic card operations	3,521	1,686
Professional fees payable	1,086	894
Other	187	258
Total other financial liabilities	**7,979**	**6,745**
Salary and Other Payables to Employees	17,403	15,988
Taxes other than income tax	3,587	1,762
Payable to the Deposit Insurance Fund	937	1,036
Other non-financial liabilities	1,136	1,680
Total other non-financial liabilities	**23,063**	**20,466**
Total other liabilities	**31,042**	**27,211**

30. Share Capital

As at 31 December 2025, share capital consists of 30,188 thousand ordinary shares (31 December 2024: 30,188 thousand) with par value of AZN 2.45 each.

The dividends per ordinary shares are as follows:

	2025	2024
Dividends payable at 1 January		
Dividends declared during the year	12,558	10,415
Dividends paid during the year	(12,558)	(10,415)
Dividends payable at 31 December	**-**	**-**
Dividends per share declared during the year	**0.42**	**0.35**

31. Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Executive Directors (Corporate and Retail) and the Chief Financial Officer (Treasury), and for which discrete financial information is available.

The Executive Directors and the CFO, who are all members of the Management Board, are responsible for the allocation of resources and the assessment of segment performance. Accordingly, the Management Board collectively fulfills the role of the Chief Operating Decision Maker (CODM) as defined under IFRS 8. Although the Bank has not formally established a CODM position or completed the implementation of internal funds transfer pricing, the Management Board currently performs the CODM function through its regular review of segmental results and decision-making responsibilities related to resource allocation and performance monitoring.

31. Segment Analysis (Continued)

(a) *Description of products and services from which each reportable segment derives its revenue*

The Group is organised on the basis of four main business segments:

- Corporate banking – loan and other credit facilities, current accounts, deposits, dealing operations and other banking products with entrepreneurs (legal entities and individual entrepreneurs).
- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Treasury – interbank lending and borrowings, investment and securities trading activities, foreign exchange services, issuance of bonds and other treasury activities.
- Insurance – compulsory civil productivity insurance of motor vehicle owners, compulsory real estate insurance, vehicle (casco) insurance, travel insurance, fire and other risk property insurance, cargo (transport) insurance, third party civil productivity insurance, personal accident insurance. As of 31 December 2025 and 31 December 2024, total asset, total liabilities and net profit of this segment has been included within one line, such as disposal groups, liabilities of disposal group classified as held for sale, and profit for the year from discontinued operations, respectively.
- Given that the insurance segment is not material to the Group's operations and is classified as a discontinued operation, management has concluded that it no longer meets the definition of a reportable segment in accordance with IFRS 8 – Operating Segments. Accordingly, it is not presented as a separate segment in these financial statements for current year.

(b) Factors that management used to identify the reportable segments

The Group's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level and different expertise.

Segment financial information reviewed by the Management Board includes operating results and the statement of financial position.

(c) Measurement of operating segment profit or loss, assets and liabilities

The ED reviews financial information prepared based on IFRS, adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from IFRS:

(i) income taxes are not allocated to segments;

(ii) loan provisions are recognised based on IFRS 9 with recoveries and cost of recoveries presented on gross basis and allocated between segments,

(iii) interest expense is not allocated between segments through internal transfer pricing, as each segment is considered self-sustained and responsible for attracting and managing its own funding. Net results of each segment are positive. Interest expense on other borrowed funds, which are managed centrally by the Treasury, is directly allocated to the respective segments based on their utilization. As a result, there is no intersegment interest income or expense. This approach is consistent with the way management monitors and prepares segment reporting.

(iv) liquidity management activities, including risk hedging, are included under "treasury" segment.

As stated above, the differences are of allocation, not of measurement nature. The ED evaluates performance of each segment based on net segment result, derived from the activities directly attributable to the responsibilities of the segment.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

31. Segment Analysis (Continued)

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2025 is set out below:

	Corporate banking	Retail banking	Treasury	Total
Interest income calculated using the effective interest method	184,873	71,215	32,506	288,594
Fee and commission income	19,298	15,551	-	34,849
Total revenues	**204,171**	**86,766**	**32,506**	**323,443**
Interest expense	(76,203)	(17,922)	(15,988)	(110,113)
Fee and commission expense	(11,126)	(10,077)	(1,221)	(22,424)
Operating expenses	(68,171)	(41,252)	(4,328)	(113,751)
Losses less gains from financial derivatives	-	-	(9,055)	(9,055)
Gains less (losses) on foreign exchange operations and translation	7,982	2,745	(623)	10,104
Other income/expense	-	-	2,229	2,229
Credit loss allowance charge for assets carried at amortized cost	(1,355)	(548)	(199)	(2,102)
Net segment result	**55,298**	**19,712**	**3,321**	**78,331**
Net segment result				**78,331**
Profit for the year from discontinued operation				87
Income tax charge				(17,075)
Profit for the year				**61,343**

Segment information for the reportable segments for the year ended 31 December 2024 is set out below:

	Corporate banking	Retail banking	Treasury	Total
Interest income	138,659	58,144	30,033	226,836
Fee and commission income	17,894	14,562	-	32,456
Total revenues	**156,553**	**72,706**	**30,033**	**259,292**
Interest expense	(51,914)	(15,624)	(9,992)	(77,530)
Fee and commission expense	(11,088)	(10,813)	(1,441)	(23,342)
Operating expenses	(57,020)	(34,504)	(3,781)	(95,305)
Gains less (losses) on foreign exchange operations and translation	7,576	3,163	(667)	10,072
Losses less gains from financial derivatives	-	-	(7,128)	(7,128)
Impairment losses on other non-financial assets	(736)	(280)	(84)	(1,100)
Other income/expense	-	-	2,025	2,025
Credit loss allowances release for assets carried at amortised cost	(218)	(83)	(25)	(326)
Net segment result	**43,153**	**14,565**	**8,940**	**66,658**
Net segment result				**66,658**
Profit for the year from discontinued operation				569
Income tax charge				(15,846)
Profit for the year				**51,381**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

31. Segment Analysis (Continued)

Segment assets:

31 December 2025	Segment assets	Corporate banking	Retail banking	Treasury
Due from other banks	94,750	-	-	94,750
Mandatory reserve with the CBAR	157,104	-	-	157,104
Loans to customers	1,654,039	1,207,237	446,802	-
Investment securities	146,344	-	-	146,344
Derivative financial assets	2,471	-	-	2,471
Total segment assets	**2,054,708**	**1,207,237**	**446,802**	**400,669**
Cash and cash equivalents	546,911			
Property and equipment and right of use assets	51,272			
Intangible assets	2,983			
Other assets	19,991			
Repossessed collateral	1,112			
Disposal groups	146			
Total assets as per consolidated financial statements	**2,677,123**			

Segment liabilities:

31 December 2025	Segment liabilities	Corporate banking	Retail banking	Treasury
Amounts due to customers	1,464,278	816,879	647,399	-
Other borrowed funds	669,087	-	-	669,087
Derivative financial liabilities	1,485	-	-	1,485
Bonds issued	8,536	-	-	8,536
Subordinated borrowings	23,525	-	-	23,525
Total segment liabilities	**2,166,911**	**816,879**	**647,399**	**702,633**
Amounts due to credit institutions	243,644			
Lease liabilities	4,909			
Other liabilities	31,042			
Current income tax liability	4,222			
Deferred income tax liabilities	1,203			
Liabilities of disposal group classified as held for sale	15			
Total liabilities as per consolidated financial statements	**2,451,946**			

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

31. Segment Analysis (Continued)

Segment assets:

31 December 2024	Segment assets	Corporate banking	Retail banking	Treasury
Due from other banks	14,495	-	-	14,495
Mandatory reserve with the CBAR	140,784	-	-	140,784
Loans to customers	1,456,128	1,143,517	312,611	-
Investment securities	60,548	-	-	60,548
Derivative financial assets	3,465	-	-	3,465
Total segment assets	**1,675,420**	**1,143,517**	**312,611**	**219,292**
Cash and cash equivalents	373,473			
Property and equipment and right of use assets	49,673			
Intangible assets	3,231			
Other assets	25,625			
Repossessed collateral	1,049			
Goodwill	467			
Disposal groups	1,779			
Total assets as per consolidated financial statements	**2,130,717**			

Segment liabilities:

31 December 2024	Segment liabilities	Corporate banking	Retail banking	Treasury
Amounts due to customers	1,372,384	661,489	710,895	-
Other borrowed funds	484,019	-	-	484,019
Derivative financial liabilities	2,518	-	-	2,518
Subordinated borrowings	37,409	-	-	37,409
Total segment liabilities	**1,896,330**	**661,489**	**710,895**	**523,946**
Amounts due to credit institutions	20,121			
Lease liabilities	5,951			
Other liabilities	27,211			
Current income tax liability	4,806			
Deferred income tax liabilities	388			
Liabilities of disposal group classified as held for sale	316			
Total liabilities as per consolidated financial statements	**1,955,123**			

32. Risk Management Policies

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimise operational and legal risks.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Risk management and monitoring is performed within set limits of authority. These processes are performed by the Credit Committees and the Group's Management Board.

Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or the Risk Management Department. Daily risk management is performed by the Head of Credit Departments and Branch Credit Divisions.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Limits on the level of credit risk by a borrower and a product (by industry sector) are approved quarterly by the Management Board. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantees. Certain portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the credit-related commitments as it does to the consolidated statement of financial position financial instruments, i.e. the one based on the procedures for approving the granting of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off-balance sheet commitments because long-term commitments generally have a greater degree of credit risk than short-term commitments.

Maximum exposure to credit risk

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

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet commitments. For financial assets in the consolidated statement of financial position, the maximum exposure is equal to the carrying amount of those assets.

The Group’s maximum exposure to credit risk under credit-related commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

	31 December 2025	**31 December 2024**
Cash equivalents	484,708	321,222
Mandatory reserve with the CBAR	157,104	140,784
Due from other banks	94,750	14,495
Loans to customers	1,654,039	1,456,128
Investment securities	146,344	60,548
Derivative financial assets	2,471	3,465
Other financial assets	13,573	17,539
Commitments on loans and unused credit lines	37,643	21,949
Guarantees issued and similar commitments	136,585	131,378

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

Geographical concentration. The geographical concentration of the Group's financial assets and liabilities at 31 December 2025 is set out below:

	The Republic of Azerbaijan	OECD countries	Other non-OECD countries	Total
31 December 2025				
Non-derivative financial assets:				
Cash and cash equivalents	352,384	189,234	5,293	546,911
Mandatory reserve with the CBAR	157,104	-	-	157,104
Due from other banks	69,826	24,924	-	94,750
Loans to customers	1,654,039	-	-	1,654,039
Investment securities	129,104	17,240	-	146,344
Derivative financial assets	-	2,471	-	2,471
Other financial assets	13,573	-	-	13,573
Total financial assets	**2,376,030**	**233,869**	**5,293**	**2,615,192**
Non-derivative financial liabilities:				
Amounts due to credit institutions	243,644	-	-	243,644
Amounts due to customers	1,387,785	2,281	74,212	1,464,278
Bonds issued	8,536			8,536
Subordinated borrowings	11,084	12,441	-	23,525
Other borrowed funds	266,210	380,370	22,507	669,087
Lease liabilities	4,909	-	-	4,909
Derivative financial liabilities	-	1,485	-	1,485
Other financial liabilities	7,979	-	-	7,979
Total financial liabilities	**1,930,147**	**396,577**	**96,719**	**2,423,443**
Net position	**445,883**	**(162,708)**	**(91,426)**	**191,749**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

The geographical concentration of the Group's financial assets and liabilities at 31 December 2024 is set out below:

	The Republic of Azerbaijan	OECD countries	Other non-OECD countries	Total
31 December 2024				
Non-derivative financial assets:				
Cash and cash equivalents	220,985	151,470	1,018	373,473
Mandatory reserve with the CBAR	140,784	-	-	140,784
Due from other banks	2,683	11,812	-	14,495
Loans to customers	1,456,128	-	-	1,456,128
Investment securities	60,548	-	-	60,548
Derivative financial assets	-	3,465	-	3,465
Other financial assets	17,539	-	-	17,539
Total financial assets	**1,898,667**	**166,747**	**1,018**	**2,066,432**
Non-derivative financial liabilities:				
Amounts due to credit institutions	16,514	3,607	-	20,121
Amounts due to customers	1,289,129	4,283	78,972	1,372,384
Subordinated borrowings	11,083	26,326	-	37,409
Other borrowed funds	209,022	240,109	34,888	484,019
Lease liabilities	5,951	-	-	5,951
Derivative financial liabilities	-	2,518	-	2,518
Other financial liabilities	6,745	-	-	6,745
Total financial liabilities	**1,538,444**	**276,843**	**113,860**	**1,929,147**
Net position	**360,223**	**(110,096)**	**(112,842)**	**137,285**

As disclosed in Note 26, all counterparties related to other borrowed funds are individually identified. In relation to amounts due to customers, the majority of the exposure to non-OECD countries relates to counterparties from CIS countries as at 31 December 2025 and 31 December 2024.

Credit quality by class of financial asset

External ratings. External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available.

Master scale credit risk grade	Corresponding ratings of external international rating agencies (Moody's)	Corresponding PD interval
Excellent	Aaa to Baa3	0,01% - 0,5%
Good	Ba1 to B1	0,51% - 3%
Satisfactory	B2, B3	3% - 10%
Special monitoring	Caa1+ to Ca	10% - 99,9%
Default	C	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with low expected credit risk;
- *Good* – adequate credit quality with a moderate credit risk;
- *Satisfactory* – moderate credit quality with a satisfactory credit risk;
- *Special monitoring* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

For unrated counterparties, the Group assigns a credit rating by downgrading the corresponding country rating by two notches.
Such ratings and the corresponding range of PD are applied for the financial instrument indicated in table below. Credit quality disclosure for each class of these financial assets for 31 December 2025 and 31 December 2024 is disclosed in each relevant note for the following lines:

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

Financial statement line item	Notes
Cash and cash equivalents (excluding cash on hand)	14
Mandatory reserve with CBAR	15
Due from other banks	16
Loans to customers	17
Investment securities	18
Other financial assets	21

The credit quality of other assets is not disclosed as these assets typically have very short-term maturities and are usually realized within the first few weeks of the subsequent month.

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

See accounting policy in Note 3.

Significant increase in credit risk

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

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

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Group uses the following criteria for determining whether there has been a significant increase in credit risk

- significant increase in probability of default since the origination date;
- backstop of 30 days past due (DPD). DPD value is the maximum of DPD interest and DPD principal of the loan taking into account any delay in repayment.
- total probability of default in the next year exceeds certain threshold dependent on the loan segment

As at 31 December 2025 and 31 December 2024, the Group estimated ECL for significant loans in Stage 3 based on an individual review of each loan and estimation of its future cash flows. This estimate of future cash flows is dependent on factors such as the estimated value of underlying collateral and delay of 12 to 48 months in obtaining proceeds from the foreclosure of collateral. The Group then calculates the net present value of these cash flows using a discount rate which equates to the original effective interest rate of the loan, in order to determine the required amount of ECL.

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

- Macro data availability and portfolio data adequacy starting from 31 January 2019 was considered as valid;
- Only first default for each exposure was considered as valid (i.e. remaining data after default entry was cut off);
- All facilities which are in default at their first observation date were excluded from the sample;
- For each loan segment there was a cut-off on MOBs (months on book) where number of unique facilities was smaller than 100 – i.e. baseline hazard estimates obtained for MOBs greater than this cut-off point were considered as highly biased;
- Loss Given Default was estimated based on 6.75 year's experience.

32. Risk Management Policies (Continued)

Generating the term structure of PD

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

Determining whether credit risk has increased significantly

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

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

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases the Group determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a loan have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes history of up-to-date payment performance against the modified contractual terms.

Definition of default

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

- the borrower is past due more than 90 days on any material credit obligation to the Group.
- exposure is subject to restructuring; or
- in bankruptcy

In assessing whether a borrower is in default, the Group considers indicators that are:

- qualitative – e.g. breaches of covenants;
- quantitative – e.g. overdue status and non-payment on another obligation of the same borrower to the Group; and
- based on data developed internally and obtained from external sources.

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

Incorporation of forward-looking information

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

Nominal effective exchange rate (NEER), oil price, Non-oil GDP and budget revenues variables are selected to be the main variables in the main modelling phase. These variables ought to be forecasted in different scenarios.

Oil price and budget revenues variables are forecasted by applying Autoregressive Integrated Moving Average (p,d,q) (ARIMA) model. The reason for applying this model is its parsimonious nature and the ability to capture dependent variations of variables whose determinants are not well documented.

32. Risk Management Policies (Continued)

The most significant forward-looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2025:

Variable	Scenario	Assigned weight	Assumption for: 2026	Assumption for: 2027
Brent	*In USD per barrel (USD/bbl)*		**59**	**59**
	Base	35%	66	66
	Upside	15%	113	133
	Downside	50%	38	33
Nominal effective exchange rate			**99**	**101**
	Base	50%	97	97
	Upside	25%	128	144
	Downside	25%	74	65
Non-oil GDP	*In millions of AZN*		**10,435**	**7,796**
	Base	40%	11,439	8,735
	Upside	5%	13,940	11,219
	Downside	55%	8,453	5,958
Budget revenue	*In millions of AZN*		**4,426**	**4,443**
	Base	40%	3,971	3,974
	Upside	35%	6,327	6,386
	Downside	25%	2,493	2,473

32. Risk Management Policies (Continued)

The most significant forward-looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2024:

Variable	Scenario	Assigned weight	Assumption for: 2025	2026
Brent	*In USD per barrel (USD/bbl)*		**77**	**81**
	Base	50%	71	71
	Upside	25%	129	151
	Downside	25%	39	33
Nominal effective exchange rate			**100**	**102**
	Base	50%	98	98
	Upside	25%	130	145
	Downside	25%	80	66
Non-oil GDP	*In millions of AZN*		**8,875**	**7,643**
	Base	35%	10,434	9,164
	Upside	5%	12,793	11,554
	Downside	60%	7,639	6,429
House price	*In AZN per square foot (AZN/sq ft)*		**2,730**	**3,047**
	Base	50%	2,673	2,886
	Upside	25%	3,573	4,613
	Downside	25%	2,000	1,806
Budget revenue	*In millions of AZN*		**4,872**	**3,766**
	Base	60%	4,488	3,228
	Upside	10%	10,168	9,025
	Downside	20%	1,981	1,155

Modified financial assets

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

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

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

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

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

32. Risk Management Policies (Continued)

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

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

Measurement of ECL

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

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

ECL is calculated on a month-by-month basis using monthly PD, LGD and EAD. ECL for exposures in Stage 1 represents the sum of the 12-months ECL and for exposures in Stage 2 the sum of the lifetime ECL.

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

The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. Depending upon segment, time interval changes from 2018 to November 2025. Generally, LGD calculations were computed in the following sequence: Firstly, base recovery rate curves were built for portfolios, then they were separated into homogeneous group default pools in terms of recoveries. Also, the Group estimated remaining recovery for unfinished defaults based on closed cases. Generally, recovery rates depending on MID (month in default) were properly calculated.

Exposure at the time of default was calculated based on CCF (credit conversion factor) model and contractual repayment schedules. General approach per product type was estimated by:

For non-revolving loan products, the Group used full repayment schedule and simplified repayment schedule method, but off-balance items CCF was modelled. In the calculation of CCF values floors and caps were applied to reduce influence of outliers.

For revolving loan products, the Group used model based EAD.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared credit risk characteristics. In order to reflect different characteristics of portfolio's segments in modelling process, exposures were divided into five major segments, four of which were included in source data and one additional was defined for credit card exposures, while guarantees were added to the SME segment. The logic of how final segmentation was determined is shown in the table below:

Source Loan Segment	Exposure type	Final Loan Segment
Retail	Card	Credit card
	Loan	Retail
Micro	Loan	Micro
Mortgage	Loan	Mortgage
SME	Loan	SME
-	Guarantee	

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

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

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

		External benchmarks used	
	Exposure	**PD**	**LGD**
Cash and cash equivalents	484,708	Moody's default study	S&P recovery studies
Mandatory reserve with the CBAR	157,104	Moody's default study	S&P recovery studies
Due from other banks	94,750	Moody's default study	S&P recovery studies
Investment securities	146,344	Moody's default study	S&P recovery studies

Offsetting financial assets and financial liabilities

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

31 December 2025

	Related amounts not offset in the consolidated statement of financial position		
Types of financial assets/liabilities	**Financial instruments**	**Cash collateral received**	**Net amount**
Loans to customers	51,261	36,046	15,215
Total financial assets	**51,261**	**36,046**	**15,215**

31 December 2024

	Related amounts not offset in the consolidated statement of financial position		
Types of financial assets/liabilities	**Financial instruments**	**Cash collateral received**	**Net amount**
Loans to customers	61,289	38,780	22,509
Total financial assets	**61,289**	**38,780**	**22,509**

Liquidity risk

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

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

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

32. Risk Management Policies (Continued)

The liquidity management policy requires:

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

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

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

The following tables show the analysis, by contractual maturities of financial assets, liabilities and credit-related commitments on the basis of their earliest possible expected maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

The ALMC controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the Group. Overdue interest of loans to customers is included in category 1 year to 5 years in the table below. For derivatives, the table encompasses both asset and liability components. Each derivative contract is reflected on the consolidated statement of financial position as either an asset or a liability, whereas the table presents cash flows in terms of inflows and outflows. As a result, the cash flows presented in the table may not directly correspond to the derivative assets and liabilities reported on the consolidated statement of financial position.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

	Weighted average effective interest rate	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
31 December 2025								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents	7.55%(AZN) 3.57%(USD)	330,876	5,146	-	-	-	-	336,022
Due from other banks	9.51%(AZN) 3.93%(USD)	17,246	43,628	18,588	15,288	-	-	94,750
Loans to customers	16.18% (AZN) 6.69 % (USD)	85,138	134,234	624,302	721,097	89,268	-	1,654,039
Investment securities	7.87% (AZN) 6.67% (USD)	8,917	98,334	19,589	12,063	2,550	-	141,453
Total fixed interest bearing financial assets		**442,177**	**281,342**	**662,479**	**748,448**	**91,818**	**-**	**2,226,264**
Non-interest bearing financial assets								
Cash and cash equivalents		210,889	-	-	-	-	-	210,889
Mandatory reserve with the CBAR		157,104	-	-	-	-	-	157,104
Investment securities		-	-	-	-	-	4,891	4,891
Other financial assets		-	13,573	-	-	-	-	13,573
Total non-interest bearing financial assets		**367,993**	**13,573**	**-**	**-**	**-**	**4,891**	**386,457**
Total non-derivative financial assets		**810,170**	**294,915**	**662,479**	**748,448**	**91,818**	**4,891**	**2,612,721**
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	3.50%	232,409	-	8,809	-	-	-	241,218
Amounts due to customers	9.90% (AZN) 3.18% (USD)	41,864	133,656	359,025	197,841	-	-	732,386
Other borrowed funds	7.15% (AZN) 7.94% (USD)	13,971	33,191	158,371	371,798	91,756	-	669,087
Lease liabilities	9.13%	134	277	1,298	3,124	76	-	4,909
Bonds issued	8.5%	-	36	-	-	8,500	-	8,536
Total fixed interest bearing financial liabilities		**288,378**	**167,160**	**527,503**	**572,763**	**100,332**	**-**	**1,656,136**
Variable interest rate instruments								
Subordinated borrowings	9.55%	-	133	142	-	23,250	-	23,525
Total variable interest bearing financial liabilities		**-**	**133**	**142**	**-**	**23,250**	**-**	**23,525**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

	Weighted erage effective interest rate	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
Non-interest bearing financial liabilities								
Amounts due to credit institutions		2,426	-	-	-	-	-	2,426
Amounts due to customers		731,892	-	-	-	-	-	731,892
Other financial liabilities		-	7,979	-	-	-	-	7,979
Total non-interest bearing financial liabilities		**734,318**	**7,979**	**-**	**-**	**-**	**-**	**742,297**
Total non-derivative financial liabilities		**1,022,696**	**175,272**	**527,645**	**572,763**	**123,582**	**-**	**2,421,958**
The effect of derivatives								
- inflow		502	-	565	24,940	-	-	26,007
- outflow		(2,362)	(745)	(6,226)	(15,689)	-	-	(25,022)
Net effect of derivatives		**(1,860)**	**(745)**	**(5,661)**	**9,251**	**-**	**-**	**985**
Liquidity gap		(214,386)	118,898	129,173	184,936	(31,764)		
Cumulative liquidity gap		**(214,386)**	**(95,488)**	**33,685**	**218,621**	**186,857**		
Interest sensitivity gap		**153,799**	**114,182**	**134,976**	**175,685**	**(8,514)**		

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

	Weighted average effective interest rate	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
31 December 2024								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents	7.58%(AZN) 7.50%(USD)	13,267	22,217	-	-	-	-	35,484
Due from other banks	8.00%(AZN) 4.41%(USD)	2,731	-	1,865	9,899	-	-	14,495
Loans to customers	15.5% (AZN) 6.07% (USD)	80,183	116,142	543,205	646,763	69,835	-	1,456,128
Investment securities	7.19% (AZN) 5.00% (USD)	1,193	780	46,029	9,331	-	-	57,333
Total fixed interest bearing financial assets		**97,374**	**139,139**	**591,099**	**665,993**	**69,835**	**-**	**1,563,440**
Non-interest bearing financial assets								
Cash and cash equivalents		337,989	-	-	-	-	-	337,989
Mandatory reserve with the CBAR		140,784	-	-	-	-	-	140,784
Investment securities		-	-	-	-	-	3,215	3215
Other financial assets		-	17,539	-	-	-	-	17,539
Total non-interest bearing financial assets		**478,773**	**17,539**	**-**	**-**	**-**	**3,215**	**499,527**
Total non-derivative financial assets		**576,147**	**156,678**	**591,099**	**665,993**	**69,835**	**3,215**	**2,062,967**
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	7.66%	15,016	-	3,379	-	-	-	18,395
Amounts due to customers	7.67%	28,043	122,306	328,836	213,860	-	-	693,045
Other borrowed funds	6.46%	26,995	7,850	92,343	281,622	75,209	-	484,019
Lease liabilities	9.13%	188	223	1,068	4,348	124	-	5,951
Total fixed interest bearing financial liabilities		**70,242**	**130,379**	**425,626**	**499,830**	**75,333**	**-**	**1,201,410**
Variable interest rate instruments								
Subordinated borrowings	9.80%	559	-	-	-	36,850	-	37,409
Total variable interest bearing financial liabilities		**559**	**-**	**-**	**-**	**36,850**	**-**	**37,409**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

	Weighted average effective interest rate	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
Non-interest bearing financial liabilities								
Amounts due to credit institutions		1,726	-	-	-	-	-	1,726
Amounts due to customers		679,339	-	-	-	-	-	679,339
Other financial liabilities		-	6,745	-	-	-	-	6,745
Total non-interest bearing financial liabilities		**681,065**	**6,745**	**-**	**-**	**-**	**-**	**687,810**
Total non-derivative financial liabilities		**751,866**	**137,124**	**425,626**	**499,830**	**112,183**	**-**	**1,926,629**
The effect of derivatives								
- inflow		943	-	814	20,693	-	-	22,450
- outflow		(1,869)	(747)	(5,359)	(13,528)	-	-	(21,503)
Net effect of derivatives		**(926)**	**(747)**	**(4,545)**	**7,165**	**-**	**-**	**947**
Liquidity gap		(176,645)	18,807	160,928	173,328	(42,348)		
Cumulative liquidity gap		**(176,645)**	**(157,838)**	**3,090**	**176,418**	**134,070**		
Interest sensitivity gap		**26,573**	**8,760**	**165,473**	**166,163**	**(42,348)**		

32. Risk Management Policies (Continued)

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

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

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than one month in the tables above. Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group indicates that these customer accounts provide a long-term and stable source of funding for the Group.

The tables below show liabilities by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. The tables below show the maturity analysis of non-derivative financial assets at their carrying amounts and based on their contractual maturities. For derivatives, the table encompasses both asset and liability components. Each derivative contract is reflected on the consolidated statement of financial position as either an asset or a liability, whereas the table presents cash flows in terms of inflows and outflows. As a result, the cash flows presented in the table may not directly correspond to the derivative assets and liabilities reported on the consolidated statement of financial position.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total gross amount	Total carrying amount
31 December 2025								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents	330,876	5,146	-	-	-	-	336,022	336,022
Due from other banks	17,246	43,628	18,588	15,288	-	-	94,750	94,750
Loans to customers	85,138	134,234	624,302	721,097	89,268	-	1,654,039	1,654,039
Investment securities	8,917	98,334	19,589	12,063	2,550	-	141,453	141,453
Total fixed interest bearing financial assets	**442,177**	**281,342**	**662,479**	**748,448**	**91,818**	**-**	**2,226,264**	**2,226,264**
Non-interest bearing financial assets								
Cash and cash equivalents	210,889	-	-	-	-	-	210,889	210,889
Mandatory reserve with the CBAR	157,104	-	-	-	-	-	157,104	157,104
Investment securities	-	-	-	-	-	4,891	4,891	4,891
Other financial assets	-	13,573	-	-	-	-	13,573	13,573
Total non-interest bearing financial assets	**367,993**	**13,573**	**-**	**-**	**-**	**4,891**	**386,457**	**386,457**
Total non-derivative financial assets	**810,170**	**294,915**	**662,479**	**748,448**	**91,818**	**4,891**	**2,612,721**	**2,612,721**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total gross amount	Total carrying amount
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	232,789	-	8,914	-	-	-	241,703	241,218
Amounts due to customers	42,690	135,473	363,177	219,888	-	-	761,228	732,386
Other borrowed funds	14,808	36,785	192,489	416,244	125,165	-	785,491	669,087
Lease liabilities	164	328	1,476	3,300	86	-	5,354	4,909
Bonds issued	-	185	552	2,932	10,700	-	14,369	8,536
Total fixed interest bearing	**290,451**	**172,771**	**566,608**	**642,364**	**135,951**	**-**	**1,808,145**	**1,656,136**
Variable interest rate instruments								
Subordinated borrowings	-	450	1,734	7,765	27,331	-	37,280	23,525
Total variable interest bearing	**-**	**450**	**1,734**	**7,765**	**27,331**	**-**	**37,280**	**23,525**
Non-interest bearing instruments								
Amounts due to credit institutions	2,426	-	-	-	-	-	2,426	2,426
Amounts due to customers	731,892	-	-	-	-	-	731,892	731,892
Other financial liabilities	-	7,979	-	-	-	-	7,979	7,979
Guarantees issued and similar	136,585	-	-	-	-	-	136,585	(805)
Commitments on loans and unused	38,554	-	-	-	-	-	38,554	(106)
Total non-interest bearing	**909,457**	**7,979**	**-**	**-**	**-**	**-**	**742,297**	**742,297**
Total financial liabilities and	**1,199,908**	**181,200**	**568,342**	**650,129**	**163,282**	**-**	**2,762,861**	**2,421,047**
The effect of derivatives held for								
- inflow	503	-	574	24,956	-	-	26,033	2,471
- outflow	(2,366)	(752)	(6,421)	(17,613)	-	-	(27,152)	(1,485)
Net effect of derivatives held for	**(1,863)**	**(752)**	**(5,847)**	**7,343**	**-**	**-**	**(1,119)**	**986**
Liquidity gap	(391,601)	112,963	88,290	105,662	(71,464)			
Cumulative liquidity gap	**(391,601)**	**(278,638)**	**(190,348)**	**(84,686)**	**(156,150)**			

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total gross amount	Total carrying amount
31 December 2024								
Non-derivative assets								
Fixed interest rate instruments								
Cash and cash equivalents	13,267	22,217	-	-	-	-	35,484	35,484
Due from other banks	2,731	-	1,865	9,899	-	-	14,495	14,495
Loans to customers	80,183	116,142	543,205	646,763	69,835	-	1,456,128	1,456,128
Investment securities	1,193	780	46,029	9,331	-	-	57,333	57,333
Total fixed interest bearing financial assets	**97,374**	**139,139**	**591,099**	**665,993**	**69,835**	**-**	**1,563,440**	**1,563,440**
Non-interest bearing financial assets								
Cash and cash equivalents	337,989	-	-	-	-	-	337,989	337,989
Mandatory reserve with the CBAR	140,784	-	-	-	-	-	140,784	140,784
Investment securities	-	-	-	-	-	3,215	3,215	3,215
Other financial assets	-	17,539	-	-	-	-	17,539	17,539
Total non-interest bearing financial assets	**478,773**	**17,539**	**-**	**-**	**-**	**3,215**	**499,527**	**499,527**
Total non-derivative financial assets	**576,147**	**156,678**	**591,099**	**665,993**	**69,835**	**3,215**	**2,062,967**	**2,062,967**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total gross amount	Total carrying amount
Non-derivative liabilities								
Fixed interest rate instruments								
Amounts due to credit institutions	15,052	-	3,440	-	-	-	18,492	18,395
Amounts due to customers	28,696	126,785	347,507	235,743	-	-	738,731	693,045
Other borrowed funds	23,935	13,055	115,356	326,722	98,883	-	577,951	484,019
Lease liabilities	162	323	1,423	5,067	138	-	7,113	5,951
Total fixed interest bearing financial liabilities	**67,845**	**140,163**	**467,726**	**567,532**	**99,021**	**-**	**1,342,287**	**1,201,410**
Variable interest rate instruments								
Subordinated borrowings	301	602	2,707	14,439	40,890	-	58,939	37,409
Total variable interest bearing financial liabilities	**301**	**602**	**2,707**	**14,439**	**40,890**	**-**	**58,939**	**37,409**
Non-interest bearing instruments								
Amounts due to credit institutions	1,726	-	-	-	-	-	1,726	1,726
Amounts due to customers	679,339	-	-	-	-	-	679,339	679,339
Other financial liabilities	-	6,745	-	-	-	-	6,745	6,745
Guarantees issued and similar commitments	131,378	-	-	-	-	-	131,378	(222)
Commitments on loans and unused credit lines	22,209	-	-	-	-	-	22,209	(38)
Total non-interest bearing financial liabilities and commitments	**834,652**	**6,745**	**-**	**-**	**-**	**-**	**841,397**	**687,550**
Total financial liabilities and commitments	**902,798**	**147,510**	**470,433**	**581,971**	**139,911**	**-**	**2,242,623**	**1,926,369**
The effect of derivatives held for risk management								
- inflow	945	-	833	20,806	-	-	22,584	3,465
- outflow	(1,871)	(752)	(5,481)	(15,524)	-	-	(23,628)	(2,518)
Net effect of derivatives held for risk management purposes	**(926)**	**(752)**	**(4,648)**	**5,282**	**-**	**-**	**(1,044)**	**947**
Liquidity gap	(327,577)	8,416	116,018	89,304	(70,076)			
Cumulative liquidity gap	**(327,577)**	**(319,161)**	**(203,143)**	**(113,839)**	**(183,915)**			

32. Risk Management Policies (Continued)

The Group believes that the analysis by contractual maturities of financial assets, liabilities and credit-related commitments presented on the basis of their earliest possible expected maturity table disclosed herein under liquidity risk section of the consolidated financial statements of the Group represents the actual settlement schedule in respect of the other borrowed funds and subordinated borrowings from the subject foreign credit institutions.

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Market risk

Market risk is the risk that the Group's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices. Market risk covers interest rate risk, currency risk, credit spreads, commodity prices and equity prices that the Group is exposed to. There have been no changes as to the way the Group measures risk or to the risk it is exposed or the manner in which these risks are managed and measured.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The ALMC on regular basis reviews the overall interest rate spreads by detailed analysis of the assets and liabilities interest rate structure. The Group is constantly monitoring interest rate gap. As of 31 December 2025 and 31 December 2024, the Group does not consider itself exposed to significant interest rate risk or consequential cash flow risk since most of the financial assets and liabilities are with fixed rates. For further information on interest rate for financial liabilities refer to Notes 23, 24, 25, 26 and 27.

(ii) Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALMC controls currency risk by management of the open currency position on the estimated basis of AZN devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations towards its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of the Central Bank of the Republic of Azerbaijan.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

The following table shows the foreign currency exposure structure of financial assets and financial liabilities as at 31 December 2025. The Group hedges currency risk position based on regulatory reporting.

	AZN	USD	EUR	Other currencies	Total
ASSETS					
Cash and cash equivalents	179,528	345,353	14,714	7,316	546,911
Mandatory reserve with the CBAR	64,819	92,285	-	-	157,104
Due from other banks	52,847	41,600	303	-	94,750
Loans to customers	1,576,924	65,636	11,479	-	1,654,039
Investment securities	51,385	90,068	-	-	141,453
Other financial assets	11,919	1,531	57	66	13,573
Total assets	**1,937,422**	**636,473**	**26,553**	**7,382**	**2,607,830**
LIABILITIES					
Amounts due to credit institutions	3,796	233,742	6,106	-	243,644
Amounts due to customers	908,530	520,128	29,013	6,607	1,464,278
Subordinated borrowings	-	23,525	-	-	23,525
Other borrowed funds	656,242	12,845	-	-	669,087
Lease liabilities	4,909	-	-	-	4,909
Other financial liabilities	4,814	1,459	720	986	7,979
Bonds issued	-	8,536	-	-	8,536
Total liabilities	**1,578,291**	**800,235**	**35,839**	**7,593**	**2,421,958**
Net position	**359,131**	**(163,762)**	**(9,286)**	**(211)**	**185,872**
The effect of derivatives held for risk management	(183,256)	183,256	-	-	-
Net position after derivatives held for risk management purposes	**175,875**	**19,494**	**(9,286)**	**(211)**	**185,872**

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

The following table shows the foreign currency exposure structure of financial assets and financial liabilities as at 31 December 2024. The Group hedges currency risk position based on regulatory reporting:

	AZN	USD	EUR	Other currencies	Total
ASSETS					
Cash and cash equivalents	89,761	260,132	16,252	7,328	373,473
Mandatory reserve with the CBAR	69,612	71,172	-	-	140,784
Due from other banks	-	13,964	531	-	14,495
Loans to customers	1,374,475	70,320	11,333	-	1,456,128
Investment securities	23,521	33,812	-	-	57,333
Other financial assets	11,868	4,728	905	38	17,539
Total assets	**1,569,233**	**454,132**	**29,021**	**7,366**	**2,059,752**
LIABILITIES					
Amounts due to credit institutions	14,643	3,498	1,980	-	20,121
Amounts due to customers	795,240	540,952	28,685	7,507	1,372,384
Subordinated borrowings	-	37,409	-	-	37,409
Other borrowed funds	462,506	21,513	-	-	484,019
Lease liabilities	5,951	-	-	-	5,951
Other financial liabilities	4,374	1,775	386	210	6,745
Total liabilities	**1,282,714**	**605,147**	**31,051**	**7,717**	**1,926,629**
Net position	**286,519**	**(151,015)**	**(2,030)**	**(351)**	**133,123**
The effect of derivatives held for risk management	(141,104)	141,104	-	-	-
Net position after derivatives held for risk management purposes	**145,415**	**(9,911)**	**(2,030)**	**(351)**	**133,123**

Currency risk sensitivity analysis

A weakening of AZN, as indicated below, against the following currencies at 31 December 2025 and 31 December 2024, would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on a net-of-tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2025	2024
15% (2024: 15%) appreciation of USD against AZN	2,924	(1,487)
15% (2024: 15%) appreciation of EUR against AZN	(1,393)	(305)

A strengthening of AZN against the above currencies at 31 December 2025 and 31 December 2024 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

32. Risk Management Policies (Continued)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholders' equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

33. Capital Risk Management

The Central Bank of Azerbaijan Republic (CBAR) requires banks to maintain certain regulatory ratios based on regulatory reporting standards.

The objectives of management when managing the Bank's and Group's capital are (i) to comply with the capital requirements set by the CBAR, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on Basel Capital Accord of at least 6.50%.

Under the current regulatory capital requirements set by the CBAR banks have to: (a) hold the minimum level of total statutory capital of AZN 50,000 thousand (31 December 2024: AZN 50,000 thousand); (b) maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") at or above a prescribed minimum of 12.5% (31 December 2024: 12%) and (c) maintain a ratio of Tier-1 capital to the risk-weighted assets (the 'Tier-1 capital ratio') at or above the prescribed minimum of 6.5% (31 December 2024: 6%).

As at 31 December 2025, the Bank was in compliance with all regulatory ratios. During the year, one ratio temporarily exceeded the regulatory limit – maximum credit exposure of the Bank per a single borrower of the Bank's Tier 1 capital on the "unsecured loan ratio", which was 23.57%, whereas the ratio should not exceed 10%. This was the result of investment in bonds of a government-related company. However, a waiver for this ratio had been obtained from Central Bank of Azerbaijan in 2020 for the lifetime of this investment. The bond has matured and was fully repaid by 31 December 2025.

The calculation of capital adequacy based on the prudential reports prepared by the Group in accordance with the prudential regulations set by the CBAR was as follows:

	31 December 2025	**31 December 2024**
Total statutory capital	266,673	222,297
Risk-weighted assets	1,826,240	1,650,790
Capital adequacy ratio (%)	**14.60%**	**13.47%**

The regulatory guidelines on capital adequacy are mostly based on Basel Capital Accord requirements with some differences related to inclusion of additional components into total capital as well as to calculation of allowance for impairment losses on loans to customers, which is determined per the prudential rules on loan loss provisioning.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

34. Commitments and Contingencies

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

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

As at 31 December 2025 and 31 December 2024, credit-related commitments comprise:

	31 December 2025	31 December 2024
Credit-related commitments		
Commitments on loans and unused credit lines	38,554	22,209
Guarantees issued and similar commitments	136,585	131,378
Total credit-related commitments, gross	**175,139**	**153,587**
Less: provisions for credit related commitments	(911)	(260)
Total credit related commitments, net of provision	**174,228**	**153,327**

Legal proceedings

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

Taxation

The taxation system in Azerbaijan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for three subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Azerbaijani tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

Operating environment

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations. The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and innovation. In all cases, the Group policy requires compliance with all applicable legal and regulatory requirements.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

34. Commitments and Contingencies (Continued)

The Group manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

Compliance with covenants

The Group has agreed to comply with certain financial and business covenants in various financing and similar agreements.

As at 31 December 2025, the Group was in compliance with all its financial covenants (31 December 2024: in compliance with all its financial covenants).

35. Non-Controlling Interest

The Group does not have subsidiaries with non-controlling interest as of 31 December 2025. The following table provides information about subsidiary that has non-controlling interest that is material to the Group as of 31 December 2024:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/ (loss)	Total compre-hensive income/ (loss)	Cash flows
Baki Sigorta OJSC	8,694	-	316	-	3,928	885	885	3,802

36. Related Party Transactions

Transactions between entities in the Group have been eliminated on consolidation and are not disclosed in this Note. The outstanding balances and the related average effective interest rates as at 31 December 2025 and related profit or loss amounts of transactions for the year ended 31 December 2025 with related parties are as follows:

	Shareholders		Entities under common control		Key management personnel of the Group		
	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	Total amount
Consolidated statement of financial position							
ASSETS							
Loans to customers							
Gross balance	135	11.34%	3,903	13.00% AZN	363	12.8% AZN	4,400
Loss allowance	(1)		-		(6)		(7)
LIABILITIES							
Amounts due to customers	3,043		5,671		260	10.39% AZN 4.51% USD	8,974
Profit / (loss)							
Interest income	8		220		13		241
Interest expense	-		-		(18)		(18)
Fee and commission expense	(6)		-		(8)		(14)
Impairment losses	(1)		-		(2)		(3)
Operating expenses	(6)		-		(9,373)		(9,379)

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

36. Related Party Transactions (Continued)

There is only one shareholder with more than 20% ownership of the Group's shares, and transactions and balances with the shareholder have been disclosed in the table. Entities under common control are companies where key shareholders have control or significant influence.

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

	Shareholders		Entities under common control		Key management personnel of the Group		
	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	Amount	Average effective interest rate, %	Total amount
Consolidated statement of financial position							
ASSETS							
Loans to customers							
Gross balance	-		-		1,061	11.6% AZN	1,061
Loss allowance	-		-		(4)		(4)
LIABILITIES							
Amounts due to customers	247		879		1,964	9.6% AZN 3.2%USD	3,090
Profit / (loss)							
Interest income	-		459		117		576
Interest expense	-		-		(19)		(19)
Fee and commission expense	(3)		-		(12)		(15)
Recovery of impairment/(Impairment losses)	-		7		5		12
Operating expenses	-		-		(4,224)		(4,224)

There is only one shareholder with more than 20% ownership of the Group's shares, and transactions and balances with the shareholder have been disclosed in the table. Entities under common control are companies where key shareholders have control or significant influence.

Total remuneration included in personnel expenses for the years ended 31 December 2025 and 31 December 2024 is as follows:

	2025	2024
Short-term employee benefits	8,056	3,647
Pension and other contributions	1,317	577
Total	**9,373**	**4,224**

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

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

37. Fair Values Disclosures

IFRS defines fair value as 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.

Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis.

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

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

The table below analyses financial instruments measured at fair value at 31 December 2025, by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognised in the consolidated statement of financial position:

	Level 3	Total
Assets at fair value		
Financial assets		
Investment securities designated as at FVOCI - equity instruments	4,891	4,891
Derivative assets	2,471	2,471
Non-financial assets		
Buildings	33,501	33,501
Total assets with recurring fair value measurements	**40,863**	**40,863**
Liabilities carried at fair value		
Financial liabilities		
Derivative liabilities	(1,485)	(1,485)
Total liabilities with recurring fair value measurements	**(1,485)**	**(1,485)**

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

	Level 3	Total
Assets at fair value		
Financial assets		
Investment securities designated as at FVOCI - equity instruments	3,215	3,215
Derivative assets	3,465	3,465
Non-financial assets		
Buildings	30,760	30,760
Total assets with recurring fair value measurements	**37,440**	**37,440**
Liabilities carried at fair value		
Financial liabilities		
Derivative liabilities	(2,518)	(2,518)
Total liabilities with recurring fair value measurements	**(2,518)**	**(2,518)**

There were no transfers between Level 1 and 2 in the period.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

37. Fair Values Disclosures (Continued)

The following table shows a reconciliation for the year ended 31 December 2025 for fair value measurements in Level 3 of the fair value hierarchy. The fair value of derivatives is determined using the Discounted Cash Flow (DCF) model. Future cash flows are converted into a reporting currency using forward exchange rates, which are derived from the interest rate differentials between the AZN and USD.

	Level 3			
	Financial instruments at fair value through profit or loss		Financial instruments at fair value through other comprehensive income	Total
	Derivative assets	Derivative liabilities	Equity investments	
Balance at beginning of the year	**3,465**	**(2,518)**	**-**	**947**
Fair value gains or losses from derivative financial instruments	(994)	1,033	-	39
Interest expense, net	(4,549)	(2,734)	-	(7,283)
Interest paid, net	4,549	2,734	-	7,283
Balance at end of the year	**2,471**	**(1,485)**	**-**	**986**

The following table shows a reconciliation for the year ended 31 December 2024 for fair value measurements in Level 3 of the fair value hierarchy:

	Level 3			
	Financial instruments at fair value through profit or loss		Financial instruments at fair value through other comprehensive income	Total
	Derivative assets	Derivative liabilities	Equity investments	
Balance at beginning of the year	**3,825**	**(2,943)**	**3,215**	**4,097**
Fair value gains or losses from derivative financial instruments	(360)	425	-	65
Interest expense, net	(4,166)	(3,027)	-	(7,193)
Interest paid, net	4,166	3,027	-	7,193
Balance at end of the year	**3,465**	**(2,518)**	**3,215**	**4,162**

As part of its trading activities, the Group enters into OTC-structured derivatives (primarily interest rate cross currency swaps indexed to credit spreads, foreign exchange rates and interest rates) with international financial institutions and domestic banks. Some of these instruments are valued using models with significant unobservable inputs, principally expected long-term volatilities and expected correlations between different underlyings.

As at 31 December 2025, to determine the fair value of the swaps, management assumed interest rates within the range of 5.69%-6.60% and 3.80%-4.07% in AZN and USD, respectively (31 December 2024: within the range of 2.53%-7.10% and 4.10%-4.48% in AZN and USD, respectively).

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

37. Fair Values Disclosures (Continued)

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows at 31 December 2025:

	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measu-rement
- Derivative financial assets	2,471	Discounted cash flows ("DCF")	CBAR notes and US T-bill yield curve	7.10% - 8.50% (CBAR) 3.44%- 4.49% (T-bills)	± 10 %	+1,403/ -1,439
- Investment Securities (Corporate shares)	4,891	Gordon Growth Model	US T-bill yield curve/ ERP/ GDP growth rate	4.79% /7.08% /1.8%- 3.3%	± 1 %	-422/+512
NON-FINANCIAL ASSETS						
- Buildings	33,501	Mix of market and income approach	Per m2 price/Capitalization rate	7 – 80 AZN, 4.3% - 7.4%	± 10 %	+1,765/ -1,765 and +1,481/ -1,810
LIABILITIES AT FAIR VALUE						
- Derivative financial liabilities	1,485	Discounted cash flows ("DCF")	CBAR notes and US T-bill yiled curve	7.10% - 8.50% (CBAR) 3.44%- 4.49% (T-bills)	± 10 %	+80/-86

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized as at 31 December 2025:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
ASSETS					
Investment securities	134,104	8,592	-	142,696	141,453
Mandatory reserve with the CBAR	-	157,104	-	157,104	157,104
Due from other banks	-	98,492	-	98,492	94,750
Loans to customers	-	-	1,664,256	1,664,256	1,654,039
LIABILITIES					
Amounts due to customers:					
- Current accounts and demand deposits	-	731,892	-	731,892	731,892
- Term deposits	-	-	812,329	812,329	732,386
Subordinated borrowings	-	-	24,145	24,145	23,525
Other borrowed funds	-	660,524	-	660,524	669,087
Bonds issued	-	9,336	-	9,336	8,536

(Amounts in tables are presented in thousands of Azerbaijani Manats, unless otherwise stated)

37. Fair Values Disclosures (Continued)

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

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
ASSETS					
Investment securities	21,929	35,000	-	56,929	57,333
Mandatory reserve with the CBAR	-	140,784	-	140,784	140,784
Due from other banks	-	16,533	-	16,533	14,495
Loans to customers	-	-	1,473,359	1,473,359	1,456,128
LIABILITIES					
Amounts due to customers:					
- Current accounts and demand deposits	-	679,340	-	679,340	679,339
- Term deposits	-	-	695,021	695,021	693,045
Subordinated borrowings	-	-	40,204	40,204	37,409
Other borrowed funds	-	472,816	-	472,816	484,019

The Group uses the following information in calculation of fair value of financial instruments not measured at fair value based on the type of instrument and availability of observable data in the relevant market in the order of priority (from the most to the least observable data):

- Due from other banks and Amounts due to credit institutions: analogical market rates disclosed in the statistical bulletin issued by the Central Bank of the Republic of Azerbaijan.
- Investment securities: depending on the measurement Level, Group uses the price of the instrument as of reporting date based on daily quotations or applies income approach using identical assets.
- Loans to customers: expected present value technique, where risk premium is incorporated either into contractual cash flows or into discount rate, defined as the risk-free rate plus the risk premium determined for loan portfolios based on similar characteristics (from credit risk quality point of view). The Group also benchmarks discount rates to interest rates observable from the published regulatory statistics on loans based on relevant maturity.

37. Fair Values Disclosures (Continued)

- Amounts due to customers, Other borrowed funds: Current accounts are short-term non-interest-bearing liabilities and their carrying value approximate fair value.

  Term-deposits, fair value of amount due to banks, credit institutions and government funds is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturity.
- Borrowings from government funds, where no observable rates are available a Bank will price those instruments at base rate (refinancing or government bond rates) adjusted for non-performance risk (credit risk premium) of the Bank.
- Bonds issued: those with daily quotations for identical assets are in Level 1 measurement category and the price as of reporting date would be taken as such for disclosure purpose. The price of the bond is estimated by comparing it to corporate bonds with an active market, and that have similar maturities, coupon rates, and credit rating. The discount rate is determined as the risk free rate + credit risk premium of the Issuer.

As at 31 December 2025, to determine the fair value of financial instruments not measured at fair value, management used interest rates within the range of 12.03%-18.55% and 6.59%-7.69% in AZN and foreign currencies, respectively for loans to customers (31 December 2024: within range of 11.19%-17.74% and 7.5%-8.2% in AZN and foreign currencies, respectively), and within the range of 5.49%-9.87% and 2.00%-3.35% in AZN and foreign currencies, respectively for deposits from customer (31 December 2024: within range of 6.39%-9.16% and 2.49%-3.36% in AZN and foreign currencies, respectively).

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

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

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

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

38. Events after the End of the Reporting Period

Loans. The Group borrowed loans with a total amount of USD 2,000 thousand in the period between January 2025 and March 2025 from the European Investment Bank.

Dividends. In January 2026 the Group declared and paid dividends in the amounts of AZN 15,094 thousand.