“BANK OF BAKU” OPEN JOINT-STOCK COMPANY

International Financial Reporting Standards
Financial Statements and
Independent Auditors’ Report
For the Year Ended December 31, 2025

“BANK OF BAKU” OPEN JOINT-STOCK COMPANY

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Independent Auditors' Report

**To the Shareholders and Supervisory Board of
"Bank of Baku" Open Joint Stock Company**

Opinion

We have audited the financial statements of "Bank of Baku" Open Joint-Stock Company (the "Bank"), which comprise the statement of financial position as at December 31, 2025, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) *(IESBA Code)*, as applicable to audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements in Azerbaijan. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Expected credit losses for loans and advances to customers	
Please refer to the Note 7 and 30 in the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
Loans and advances to customers represent 76% of total assets and are stated net of allowance for expected credit losses ("ECL") that is estimated on a regular basis and is sensitive to the assumptions used. The estimation of expected credit losses requires Management to apply significant judgments and estimation techniques to determine probability of default (PD), projected exposure at default (EAD) and loss given default (LGD), considering observed historical data, current economic situation and available forward-looking information. The estimation of expected credit losses further requires significant judgement in assessing whether a significant increase in credit risk ("SICR") has occurred, which may result in the transfer of exposures between stages. Credit loss allowance for loans to customers is a key audit matter due to the significance of the balances to the Bank's financial position, and the complexity and judgement related to the estimation of ECL under IFRS 9 *Financial Instruments*.	We engaged our own specialists in financial risk management to analyse the key aspects of the Bank's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9 *Financial Instruments*. To analyse the adequacy of professional judgement and assumptions made by the management in relation to allowance for ECL estimate we performed the following procedures: - For loans to customers, we tested the design, implementation and operating effectiveness of controls over the calculation of overdue days used as a basis for the allocation of loans into stages. - For loans and off-balance sheet exposures, we tested the design and operating effectiveness of relevant controls, including involvement of our specialists in information risk management, over completeness and accuracy of data inputs into ECL models and timely reflection of delinquency events and loan repayments in the underlying systems. - For a sample of loans to corporate customers, for which a potential change in ECL estimate may have a significant impact on the financial statements we tested whether Stages are correctly assigned by the Bank by analysing financial and non-financial information, as well as assumptions and professional judgments, applied by the Bank. - We evaluated underlying statistical models, key inputs and assumptions used and assessed incorporation of forward-looking information in the calculation of ECL. We analysed the overall adequacy of the adjustment to account for various scenarios and forward-looking information and compared it with our estimates taking into account the current and future economic situation and operating conditions of borrowers. - We assessed the predictive ability of the ECL models by analysing historical model performance, including back-testing results where available, and evaluating whether the models generate reasonable and unbiased estimates consistent with observed credit outcomes. - For a sample of loans, we tested the correctness of data inputs for PD, LGD and EAD calculation by comparing them to supporting documents. We also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk.

Other Matter Relating to Comparative Information

The financial statements of the Bank as at and for the years ended December 31, 2024 and December 31, 2023 (from which the statement of financial position as at January 1, 2024 has been derived), excluding the adjustments described in Note 2(d) to the financial statements were audited by other auditors who expressed an unmodified opinion on those financial statements on April 1, 2025 and April 1, 2024.

As part of our audit of the financial statements as at and for the year ended December 31, 2025, we audited the adjustments described in Note 2(d) that were applied to restate the comparative information presented as at and for the year ended December 31, 2024 and the statement of financial position as at January 1, 2024. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended December 31, 2024 or December 31, 2023 (not presented herein), other than with respect to the adjustments described in Note 2(d) to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 2(d) are appropriate and have been properly applied.

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

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

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is:

Nasiba Muradkhanova
KPMG Audit Azerbaijan LLC
Baku, the Republic of Azerbaijan
April 17, 2026

"BANK OF BAKU" OPEN JOINT-STOCK COMPANY
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2025
(in thousands of AZN, unless otherwise indicated)

	Notes	December 31, 2025	December 31, 2024 restated*	January 1, 2024 restated*
ASSETS				
Cash and cash equivalents	4	131,952	117,272	155,841
Amounts due from banks and other financial institutions	5	44,764	20,835	7,200
Investment securities	6	59,373	38,264	25,017
Loans to customers	7, 25	895,828	749,245	641,944
Property, equipment and intangible assets	8	23,664	22,843	12,491
Right-of-use assets	9	6,548	5,860	5,346
Other assets	10	20,945	24,068	25,637
Total assets		**1,183,074**	**978,387**	**873,476**
LIABILITIES				
Amounts due to banks and other financial institutions	11	144,557	135,657	130,008
Amounts due to customers	12, 25	756,221	595,659	525,775
Debt securities in issue	13	19,824	-	-
Subordinated debt	14, 25	16,762	16,762	16,762
Lease liabilities	15	6,899	6,117	5,535
Current income tax liabilities		6,673	7,098	5,528
Deferred income tax liabilities	24	5,741	6,860	4,717
Other liabilities	16	17,808	17,466	17,170
Total liabilities		**974,485**	**785,619**	**705,495**
EQUITY				
Share capital	17	52,870	52,870	52,870
Revaluation reserve for property		11,127	11,426	3,491
Retained earnings		144,592	128,472	111,620
Total equity		**208,589**	**192,768**	**167,981**
Total liabilities and equity		**1,183,074**	**978,387**	**873,476**

* See note 2(d) for information regarding the change in comparative figures.

The financial statements as set out on pages 9 to 79 were approved by management on April 17, 2026 and were signed on its behalf by:

On behalf of the Management Board:

Hasan Guliyev
Chairman of the Management Board

April 17, 2026
Baku, the Republic of Azerbaijan

Rashad Malikov
Chief Financial Officer

April 17, 2026
Baku, the Republic of Azerbaijan

(in thousands of AZN, unless otherwise indicated)

	Notes	Year ended December 31, 2025	Year ended December 31, 2024 restated*
Interest income	18, 25	167,528	148,052
Interest expense	18, 25	(72,571)	(54,664)
Net interest income		**94,957**	**93,388**
Fee and commission income	20	20,969	18,221
Fee and commission expense	21	(20,985)	(25,403)
Net gains/(losses) from foreign currencies:			
- dealing		609	1,378
- translation differences		37	(8)
- foreign currency derivatives		(1,024)	(1,442)
Other income, net		1,561	942
Net non-interest income/(loss)		**1,167**	**(6,312)**
Operating income		**96,124**	**87,076**
Personnel expenses	22, 25	(34,224)	(32,538)
General and administrative expenses	23, 25	(21,477)	(20,618)
(Charge)/recovery of expected credit losses on debt financial assets	19	(4,900)	2,629
Change in fair value of repossessed collaterals		173	(351)
Charge of impairment losses on prepayments	10	-	(1,114)
Profit before income tax		**35,696**	**35,084**
Income tax expense	24	(7,875)	(7,981)
Net profit for the year		**27,821**	**27,103**
Items that will not be reclassified subsequently to profit or loss			
Net gain resulting on revaluation of property	8	-	10,262
Income tax recorded directly in other comprehensive income	24	-	(2,052)
Other comprehensive income for the year		**-**	**8,210**
Total comprehensive income for the year		**27,821**	**35,313**
Earnings per share			
Basic and diluted (expressed in AZN)	26	8.18	7.97

* See note 2(d) for information regarding the change in comparative figures.

(In thousands of AZN, unless otherwise indicated)

	Share capital	**Revaluation reserve for property**	**Retained earnings**	**Total equity**
January 1, 2024	**52,870**	**3,491**	**111,620**	**167,981**
Net profit for the year	-	-	27,103	27,103
Other comprehensive income for the year	-	8,210	-	8,210
Total comprehensive income for the year	**-**	**8,210**	**27,103**	**35,313**
Transfer of revaluation reserve to retained earnings	-	(275)	275	-
Dividends declared	-	-	(10,526)	(10,526)
December 31, 2024	**52,870**	**11,426**	**128,472**	**192,768**
Net profit for the year	-	-	27,821	27,821
Total comprehensive income for the year	**-**	**-**	**27,821**	**27,821**
Transfer of revaluation reserve to retained earnings	-	(299)	299	-
Dividends declared	-	-	(12,000)	(12,000)
December 31, 2025	**52,870**	**11,127**	**144,592**	**208,589**

(In thousands of AZN, unless otherwise indicated)

	Notes	Year ended December 31, 2025	Year ended December 31, 2024 Restated*
Cash flows from operating activities:			
Interest received		166,180	145,624
Interest paid		(67,643)	(52,162)
Fees and commissions received		20,969	18,221
Fees and commissions paid		(20,985)	(25,403)
Personnel expenses paid		(35,076)	(31,471)
General and administrative expenses paid		(14,012)	(15,808)
Realized gains from dealing in foreign currencies and less loss from operations with foreign currency derivatives		609	397
Other income received, net		1,463	861
Cash inflow from operating activities before changes in operating assets and liabilities		**51,505**	**40,259**
(Increase)/decrease in operating assets			
Amounts due from banks and other financial institutions		(23,657)	(13,518)
Loans to customers		(150,708)	(101,481)
Other assets		3,484	(1,415)
Increase/(decrease) in operating liabilities			
Amounts due to banks and other financial institutions		12,045	7,328
Amounts due to customers		158,967	69,183
Other liabilities		(2,498)	(1,188)
Cash flows provided/(used in) from operating activities before income tax paid		**49,138**	**(832)**
Income tax paid		(9,419)	(5,125)
Cash flows provided/(used in) from operating activities		**39,719**	**(5,957)**
Cash flows from investing activities:			
Payments for property, equipment and intangible assets		(3,436)	(2,450)
Proceeds from disposal of property, equipment and intangible assets		138	-
Payments for investment securities		(166,939)	(52,436)
Proceeds from sale and redemption of investment securities		146,328	38,545
Cash flows used in investing activities		**(23,909)**	**(16,341)**
Cash flows from financing activities:			
Proceeds from debt securities		20,000	-
Payment of transaction cost		(300)	-
Proceeds from borrowed funds	11	19,417	35,585
Repayment of borrowed funds	11	(26,487)	(38,752)
Dividend paid to the shareholders	17	(12,000)	(10,526)
Repayment of principal portion on lease liabilities	15	(2,336)	(2,366)
Cash flows used in financing activities		**(1,706)**	**(16,059)**
Effect of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		576	(212)
Net increase/(decrease) in cash and cash equivalents		**14,680**	**(38,569)**
CASH AND CASH EQUIVALENTS, *beginning of the year*	4	**117,272**	**155,841**
CASH AND CASH EQUIVALENTS, *end of the year*	4	**131,952**	**117,272**

NOTES TO THE FINANCIAL STATEMENTS

CONTENTS

(In thousands of AZN, unless otherwise indicated)

1. BACKGROUND

(a) Organization and operations

These financial statements comprise the financial statements of Bank of Baku Open Joint Stock Company (the “Bank”) for the year ended December 31, 2025.

Bank operates under banking license number 247 issued by the Central Bank of the Republic of Azerbaijan (the “CBAR”) on February 18, 2005.

The Bank’s principal activities are deposit-taking, customer account maintenance, credit operations, issuance of guarantees, cash and settlement operations, securities and foreign exchange transactions. Its main office is located in Baku and it operates through 19 branches (December 31, 2024: 19) in Baku and other cities of the Republic of Azerbaijan and 4 servicing outlets as at December 31, 2025 (December 31, 2024: 3 servicing outlets). The Bank’s registered legal address is 42 Ataturk Avenue, Baku, AZ 1069, Azerbaijan.

The Bank’s activities are regulated by the Central Bank of the Republic of Azerbaijan.

The Bank participates in the state deposit insurance scheme, which was introduced by the “Law on Deposit Insurance” dated December 29, 2006. The Azerbaijan Deposit Insurance Fund (the “Fund”) guarantees repayment of 100% of individual deposits meeting the following criteria:

According to the Law of the Republic of Azerbaijan on “Deposit Insurance”, an insured deposit is a part of a protected deposit that will be compensated by the Deposit Insurance Fund in case of an insurance incident that occurred in the participant bank where a depositor is serviced. Starting from June 1, 2020, the maximum annual interest rate on protected deposits in the national currency is set at 12%, and in foreign currency - 2.5%. Starting from April 5, 2021 in case of an insurance incident each depositor is entitled to receive compensation from the Deposit Insurance Fund for the full amount of the deposit agreement but not exceeding AZN 100 thousand.

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

	December 31, 2025, %	December 31, 2024, %
“NAB Holding”	35.00	35.00
Mr. Hikmat Ismayilov	31.11	31.11
“Azpetrol Neft Shirketi” LLC	28.89	28.89
Mr. Elchin Isayev	5.00	5.00
Total	**100.00**	**100.00**

As at December 31, 2025 and 2024, none of the shareholders individually exercised control over the Bank.

(b) Business environment

The Bank’s operations are conducted in the Republic of Azerbaijan. Consequently, the Bank is exposed to the economic and financial markets of Azerbaijan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Azerbaijan. The volatility in the price of oil and the ongoing military conflict between the Russian Federation and Ukraine have increased uncertainty in the business environment.

The financial statements reflect management’s assessment of the impact of the Azerbaijani business environment on the operations and the financial position of the Bank. The future business environment may differ from management’s assessment.

2. BASIS OF ACCOUNTING

(a) Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, financial instruments categorized at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"), buildings and land at revalued amount and assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. These financial statements have been prepared assuming that the Bank is a going concern and will continue in operation for the foreseeable future.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the separate financial statements are disclosed in Note 2(c).

(b) Functional and presentation currency

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

At December 31, 2025, the principal rate of exchange used for translating foreign currency balances was USD 1= AZN 1.7000 and EUR 1=AZN 2.0022 (December 31, 2024: USD 1=AZN 1.7000 and EUR 1=AZN 1.7724).

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

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

(c) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgments

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

Assessment of whether cash flows are solely payments of principal and interest ("SPPI")

Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement. The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example, a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situations that can occur in financial markets.

In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI and the instrument is then carried at FVTPL.

The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following conditions to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual paramount and accrued interest and reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Bank's loan agreements allow adjusting interest rates in response to certain macroeconomic or regulatory changes. Management applied judgement and assessed that competition in the banking sector and the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI.

Significant increase in credit risk ("SICR")

In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The Bank 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 Bank identifies behavioural indicators of increases in credit risk prior to delinquency and incorporates appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 30.

Fair value at initial recognition of Borrowed funds

Borrowed funds are initially recognised at fair value. Management has assessed that the nominal value of Borrowed funds approximate their fair value at initial recognition. This assessment is based on the view that there are no other financial instruments comparable to these borrowings in the market. The borrowings are considered to be part of a distinct and separate market, characterized by government-backed, subsidized funding terms that do not fluctuate in alignment with broader market conditions. Consequently, there have been no significant changes in the credit risk profile or prevailing market interest rates (see Note 30).

Modification of financial assets

When financial assets are contractually modified (e.g. renegotiated), the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Bank applies judgment in deciding whether credit-impaired renegotiated loans should be derecognized and whether the new recognized loans should be considered as credit-impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications.

Write-off policy

Loans 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 Bank 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 "impairment losses on financial instruments" in the statement of profit or loss and other comprehensive income. Financial assets that are written off could still be subject to enforcement activities to comply with the Bank's procedures for recovery of amounts due.

Assumptions

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within next financial year is included in the following notes:

Measurement of ECL allowance

Measurement of Expected Credit Loss (ECL) is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 27(d). The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macroeconomic scenarios. The Bank 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. For details of ECL measurement including incorporation of forward-looking information refer to Note 30.

(d) Correction of Errors in comparative data

In the course of preparing the financial statements as at and for the year ended December 31, 2025, the Bank made reclassifications that affected the relevant line items in the statement of financial position as at December 31, 2024, the statement of profit or loss and other comprehensive income and the statement of cash flows for the year ended December 31, 2024:

Management has revised the presentation of the statement of financial position line item "Amounts due from banks and other financial institutions".

These accounts and deposits are represented by the mandatory reserve in the Central Bank of Azerbaijan (CBAR), which the Bank initially recognized under due from banks and other financial institutions and AZN 28,585 thousand but should be classified as cash and cash equivalents. Although these balances are subject to regulatory reserve requirements, the restrictions do not change their nature as cash and cash equivalents because the Bank is able to access and withdraw the funds without contractual delay or penalty. The restriction only relates to maintaining a monthly average minimum balance with the CBAR, while the underlying funds remain readily available for settlement and liquidity purposes. Hence, they are included in cash and cash equivalents on the statement of cash flows and the statement of financial position.

As a result, the amount of AZN 28,585 thousand was reclassified from due from banks and other financial institutions to cash and cash equivalents as at December 31, 2024. Following the change in presentation, cash flows from operating activities in the statement of cash flows for the year ended December 2024 31, increased by AZN 3,797 thousand.

The current income tax liabilities amounting to AZN 7,098 thousand, which were previously presented under "Other liabilities" in the statement of financial position, have been reclassified to a separate line within liabilities, as they are directly attributable to the Bank's current income tax obligations. In the prior year, current income tax liabilities were included within "Other liabilities" as part of the sub-account "Taxes liabilities." Following the reclassification and offsetting of income tax balances, the remaining balance related to taxes other than income tax resulted in a net asset position. Accordingly, this amount has been reclassified and presented within "Other assets," leading to an increase in other assets by AZN 3,959 thousand.

The income amounting to AZN 3,614 thousand, previously recognized within "Interest income on loans to customer" as loan origination fees in the prior year, has been reclassified to "Fee and commission income on plastic cards". This reclassification has been made in accordance with IFRS 9 "Financial Instruments", as the income arises from customers' usage of plastic cards (e.g. transaction and service-related fees) and is not directly attributable to the origination of a financial asset. Accordingly, it does not form an integral part of the effective interest rate and should not be recognized within interest income.

These corrections hadn't affected the Bank's retained earnings as at December 31, 2024.

As a result of the above corrections, the Bank has also presented a third statement of financial position as at 1 January 2024 in accordance with IAS 1 *Presentation of Financial Statements*, as the corrections have a material impact on the information presented in the statement of financial position at the beginning of the period preceding to the reporting.

(In thousands of AZN, unless otherwise indicated)

The following table shows the impact of such changes on the respective indicators:

	Before changes	Correction of errors	After changes
Statement of Financial Position as at January 1, 2024			
Cash and cash equivalents	131,053	24,788	155,841
Amount due from banks and other financial institutions	31,988	(24,788)	7,200
Other assets	20,747	4,890	25,637
Current tax liabilities	-	5,528	5,528
Other liabilities	17,808	(638)	17,170
Retained earnings	111,620	-	111,620
Statement of Financial Position as at December 31, 2024			
Cash and cash equivalents	88,687	28,585	117,272
Amount due from banks and other financial institutions	49,420	(28,585)	20,835
Other assets	20,109	3,959	24,068
Current tax liabilities	-	7,098	7,098
Other liabilities	20,605	(3,139)	17,466
Retained earnings	128,472	-	128,472
Statement of Profit and Loss and Other Comprehensive Income for the year ended December 31, 2024			
Interest income	151,666	(3,614)	148,052
Fee and commission income	14,607	3,614	18,221
Statement of Cash Flows for the year ended December 31, 2024			
Cash flows from operating activities			
Interest received	149,238	(3,614)	145,624
Fees and commissions received	14,607	3,614	18,221
(Increase)/decrease in operating assets			
Amount due from banks and other financial institutions	(17,315)	3,797	(13,518)
Cash flows provided from operating activities	**(4,629)**	**3,797**	**(832)**
Net increase in cash and cash equivalents	**(42,366)**	**3,797**	**(38,569)**
Cash and cash equivalents as at the beginning of the year	131,053	24,788	155,841
Cash and cash equivalents as at the end of the year	**88,687**	**28,585**	**117,272**

3. MATERIAL ACCOUNTING POLICIES

(a) Foreign currency

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

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

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

(b) Interest

Effective interest rate

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

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

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

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

Amortized cost and gross carrying amount

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

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

Calculation of interest income and expense

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

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

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

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income includes interest on financial assets measured at amortized cost.

Interest expense presented in the statement of profit or loss and other comprehensive income includes interest on financial liabilities measured at amortized cost.

(c) Fees and commission

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

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

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

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

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

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 under IFRS 15**
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, provision of overdraft facilities, foreign currency transactions, credit card and servicing fee. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when transaction takes place.	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Guarantee and letter of credit issuance	The Bank issues guarantees and letters of credit to its customers. Fees for issuing guarantees and letters of credit are typically charged to the customer either upfront at inception or on a periodic basis in accordance with the contractual agreement (e.g., quarterly or annually). Payments are settled by the customer directly in line with the agreed arrangements.	Revenue from fees on issuance of guarantees and letters of credit is recognized over the period until maturity date of such contracts.

(d) Cash and cash equivalents

Cash and cash equivalents are short-term 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 cash on hand, amounts due from the CBAR, including mandatory reserves of CBAR, and balances on correspondent accounts including overnight deposits and deposits with original maturities of less than three months. Cash and cash equivalents are carried at amortized cost (AC) because: (i) they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest (SPPI), and (ii) they are not designated at Fair Value through Profit or Loss (FVTPL).

(e) Financial assets and financial liabilities

(i) Classification

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

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

Business model assessment

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

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

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

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

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

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

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

Reclassification

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

The Bank should reclassify financial assets if the Bank changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the Bank's senior management as a result of external or internal changes and must be significant to the Bank's operations and demonstrable to external parties. Accordingly, a change in the Bank's business model will occur only when the Bank either begins or ceases to perform an activity that is significant to its operations; for example, when the Bank has acquired, disposed of or terminated a business line.

(ii) Derecognition

Financial assets

The Bank derecognizes 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 Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

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

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

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire (Note 3e (iii)).

(iii) Modification of financial assets and financial liabilities

Financial assets

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

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

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

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

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

- change the currency of the financial asset;
- change of terms of financial asset that leads to non-compliance with the SPPI criterion (e.g. inclusion of conversion feature).

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms.

If the Bank 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 Bank further performs a qualitative evaluation of whether the modification is substantial.

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

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

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

Financial liabilities

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

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

- change the currency of the financial liability;
- inclusion of conversion option;
- change in the subordination of the financial liability.

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

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

(iv) Expected credit losses

The Bank recognizes 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.

The Bank 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 30).

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

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

ECL is 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 Bank 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 Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- financial guarantee contracts: the present value of expected payments to reimburse the holder less any amounts that the Bank expects to recover.

See also Note 30.

Restructured financial assets

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

If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (See Note 30).

If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

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

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component; the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component.

Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank 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 “impairment losses on financial instruments” in the statement of profit or loss and other comprehensive income.

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

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

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

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

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

(f) Offsetting

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

(g) Loans to customers

“Loans to customers” caption in the statement of financial position include:

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

(h) Investment securities

The “investment securities” caption in the statement of financial position includes:

- debt investment securities measured at amortized cost (See Note 3); these are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method;
- equity investment securities measured at FVTPL (See Note 3); these are measured at fair value with changes recognized immediately in profit or loss.

(i) Property and equipment

(i) Owned assets

Items of property (except for buildings and land) and equipment are stated at cost less accumulated depreciation and impairment losses.

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

(ii) Revaluation

Buildings are subject to revaluation on a regular basis, at least every four years, depending on movements in the fair values of the buildings being revalued. The Bank applies the elimination method for accounting for revaluations, whereby accumulated depreciation is eliminated against the gross carrying amount of the asset and the net carrying amount is restated to the revalued amount at the date of revaluation.

A revaluation increase on a building is recognised in other comprehensive income, except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on a building is recognised in profit or loss, except to the extent that it reverses a previous revaluation increase recognised in other comprehensive income and accumulated in equity, in which case it is recognised in other comprehensive income.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

(iii) Depreciation

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

The estimated useful lives are as follows:

Buildings	20 years
Furniture and fixtures	10 years
Computers and communication equipment	4-10 years
Vehicles	10 years
Other fixed assets	4 years
Leasehold improvements	lower of expected lease term and useful life
Right-of-use assets	over the term of the underlying lease

(j) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 5 to 10 years.

(k) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Bank’s accounting policies. Thereafter generally, the assets are measured at the lower of their carrying amount and fair value less cost to sell.

(l) IFRS 16 “Leases”

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

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

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

(m) Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank 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. Financial guarantees issued are subsequently measured as follows:

- at the higher of the loss allowance determined in accordance with IFRS 9 (See Note 3) and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

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

For other loan commitments:

- the Bank recognizes a loss allowance (See Note 3).

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

(n) Share capital

(i) Ordinary shares

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

(ii) Dividends

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

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

(o) Taxation

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences arising from the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit or loss.

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

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

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

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

In determining the amount of current and deferred tax the Bank takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Bank believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Bank to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(p) Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Bank’s chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

(q) Standards issued but not yet effective

A number of new accounting standards and amendments to accounting standards are effective for annual periods beginning after January 1, 2025 and earlier application is permitted. However, the Bank has not early adopted the new and amended accounting standards in preparing these financial statements.

(i) IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations, and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities’ net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.
- In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under the indirect method.

The Bank is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Bank’s statement of profit or loss, the statement of cash flows, and the additional disclosures required for MPMs.

(In thousands of AZN, unless otherwise indicated)

(ii) Other accounting standards

The following new and amended standards are not expected to have a significant impact on the Bank’s financial statements.

- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).
- Translition to a Hyperinflationary Presentation Currency (Amendments to IAS 21).
- Subsidiaries without Public Accountability: Disclosures (Amendments to IFRS 19).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

4. CASH AND CASH EQUIVALENTS

	December 31, 2025	December 31, 2024
Cash on hand	25,624	21,880
Nostro accounts with the CBAR	13,295	2,437
Nostro accounts with other banks		
- rated from A- to A+	4,325	2,326
- rated from AA- to AA+	924	7,720
- rated from BBB- to BBB+	60	82
- rated from BB- to BB+	3,707	335
- rated from B- to B+	343	111
Total nostro accounts with other banks	**9,359**	**10,574**
Mandatory reserve with the CBAR	33,058	28,585
Term deposits with the CBAR	21,013	42,022
Foreign treasury bills with original maturity of less than 90 days	-	-
- rated from AA- to AA+	-	6,600
Term deposits with other banks		
- rated from BBB- to BBB+	5,015	-
- rated from BB- to BB+	-	3,401
- rated from B- to B+	1,713	1,773
CBAR notes with original maturity of less than 90 days	22,875	-
Total cash and cash equivalents	**131,952**	**117,272**

Ratings are based on the Fitch rating system.

As at December 31, 2025, besides the CBAR, the Bank had no other banks where the balance exceeded 10% of the Bank’s equity (December 31, 2024: two banks AZN 52,201 thousand).

As at December 31, 2025 and 2024, all balances included in cash and cash equivalents are classified as Stage 1 and no loss allowance is recognized, as the ECL of these balances represents an insignificant amount.

Mandatory reserve with the CBAR

The mandatory reserve deposit is a non-interest-bearing deposit calculated in accordance with regulations issued by the CBAR. Although these balances are subject to regulatory reserve requirements, the restrictions do not change their nature as cash and cash equivalents because the Bank is able to access and withdraw the funds without contractual delay or penalty. The restriction only relates to maintaining a monthly average minimum balance with the CBAR, while the underlying funds remain readily available for settlement and liquidity purposes. Reserves are measured in accordance with regulations issued by the CBAR and depend on the level of customer funds attracted.

(In thousands of AZN, unless otherwise indicated)

5. AMOUNTS DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31, 2025	December 31, 2024
Loans to other financial institutions		
- not rated	24,501	20,835
Total loans to other financial institutions	**24,501**	**20,835**
Deposits placed in banks		
- rated from BB- to BB+	20,263	-
Total amounts due from banks and other financial institutions	**44,764**	**20,835**

As at December 31, 2025, accrued interest income included in amounts due from banks and other financial institutions amounted to AZN 449 thousand (December 31, 2024: AZN 177 thousand).

All amounts due from banks and other financial institutions balances are in Stage 1 as at December 31, 2025 and 2024, and no loss allowance is recognized, as the ECL of these balances represents an insignificant amount.

There were no transfers between stages during the years ended December 31, 2025 and 2024.

Concentration of amounts due from banks and other financial institutions

Disclosures related to other financial institutions that are not rated as at 31 December 2025 and 2024 are presented in the table below:

	December 31, 2025	December 31, 2024
"Kredit evi" OJSC	20,731	18,606
"Merkuri Non-Bank Credit Organization" OJSC	2,334	2,229
"Azerbaijan Micro-Credit Non-Bank Credit Organization" OJSC	1,410	-
"Alfacredit" LLC	26	-
Total loans to other financial institutions	**24,501**	**20,835**

As at December 31, 2025, the Bank had no due from banks and financial institutions whose balance exceeding 10% of the Bank's equity (December 31, 2024: one bank with the balance of 18,322 thousand).

6. INVESTMENT SECURITIES

	December 31, 2025	December 31, 2024
Investment securities measured at amortized cost	59,152	19,021
Investment securities measured at amortized cost - pledged against repurchase agreements	-	18,875
Total investment securities measured at amortized cost (gross)	**59,152**	**37,896**
Less: Allowance for expected credit losses	(117)	-
Total investment securities measured at amortized cost (net)	**59,035**	**37,896**
Investment securities measured at FVTPL - equity instruments	338	368
Total investment securities (net)	**59,373**	**38,264**

Investment securities measured at amortized cost are as follows:

	December 31, 2025	December 31, 2024
Government bonds pledged under repurchase agreements	-	18,875
Government bonds	48,358	17,297
Corporate bonds	10,794	1,724
Debt securities	**59,152**	**37,896**

As at December 31, 2025, accrued interest income included in investment securities amounted to AZN 851 thousand (December 31, 2024: AZN 433 thousand).

All debt security balances are in Stage 1 as at December 31, 2025 and 2024.

(In thousands of AZN, unless otherwise indicated)

There were no transfers between stages during the years ended December 31, 2025 and 2024.

The Bank classified certain investments shown in the following table as equity securities at FVTPL. There was no material fair value gain or loss recognized for equity securities at FVTPL for the year ended December 31, 2025.

Equity securities measured at FVTPL:

	December 31, 2025	December 31, 2024
"Baku Stock Exchange" CJSC	240	240
"International Bank of Azerbaijan" OJSC	88	88
"MilliKart" LLC	10	40
Equity securities	**338**	**368**

Loss allowance

An analysis of changes in ECL allowance on investment securities during the year ended December 31, 2025 and 2024 is as follows:

	Stage 1	Total
ECL allowance value as at January 1, 2025	**-**	**-**
Net change in ECL value	(117)	(117)
As at December 31, 2025	**(117)**	**(117)**

	Stage 1	Total
ECL allowance value as at January 1, 2024	**(125)**	**(125)**
Net change in ECL value	125	125
As at December 31, 2024	**-**	**-**

An analysis of changes in gross carrying value on investment securities during the year ended December 31, 2025 is as follows:

	Stage 1	Total
Gross carrying value as at January 1, 2025	**38,264**	**38,264**
New assets purchased	166,939	166,939
Assets matured and sold	(146,328)	(146,328)
Other movement	615	615
As at December 31, 2025	**59,490**	**59,490**

	Stage 1	Total
Gross carrying value as at January 1, 2024	**25,017**	**25,017**
New assets purchased	52,436	52,436
Assets matured	(38,545)	(38,545)
Other movement	(644)	(644)
As at December 31, 2024	**38,264**	**38,264**

Credit quality analysis

The following table sets out information about the credit quality of investment securities measured at amortized cost as at December 31, 2025 and 2024. Explanation of the term "Stage 1" included in Note 3.

	December 31, 2025		December 31, 2024	
	Stage 1	Total	Stage 1	Total
Debt investment securities at				
Rated from A- to AAA	15,871	15,871	12,038	12,038
Rated from BBB- to BBB+	32,445	32,445	24,134	24,134
Rated from BB- to BB+	10,719	10,719	2,092	2,092
Carrying amount	**59,035**	**59,035**	**38,264**	**38,264**

(In thousands of AZN, unless otherwise indicated)

7. LOANS TO CUSTOMERS

	December 31, 2025		December 31, 2024	
	Amount	% of total gross loans	Amount	% of total gross loans
Consumer loans	632,798	68%	488,839	64%
Microloans	171,025	18%	132,370	17%
Cards	99,943	11%	115,236	15%
Business loans	24,586	3%	31,027	4%
Auto loans	178	0%	205	0%
Gross loans to customers	**928,530**		**767,677**	
Less: Allowance for expected credit losses	(32,702)		(18,432)	
Net loans to customers	**895,828**		**749,245**	

As at December 31, 2025, accrued interest income included in loans to customers amounted to AZN 12,787 thousand (December 31, 2024: AZN 10,004 thousand).

Carrying value of loans to customers analyzed by industry sector:

	December 31, 2025	December 31, 2024
Individuals	905,574	742,474
Trade and services	18,748	21,193
Agriculture and food processing	3,058	3,616
Manufacturing	1,150	394
Gross loans to customers	**928,530**	**767,677**
Less: Allowance for expected credit losses	(32,702)	(18,432)
Net loans to customers	**895,828**	**749,245**

The following tables show reconciliations from the opening to the closing balances of the gross amounts of loans to customers.

*Other movements primarily comprise repayments and changes in accrued interest, together with other minor effects.

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortized cost					
As at January 1, 2025	**743,406**	**4,461**	**19,810**	**-**	**767,677**
Transfer to Stage 1	637	(121)	(516)	-	**-**
Transfer to Stage 2	(4,649)	4,672	(23)	-	**-**
Transfer to Stage 3	(25,806)	(3,757)	29,563	-	**-**
Other movements*	(623,513)	909	(16,736)	(54)	**(639,394)**
New financial assets originated or purchased	792,174	-	-	-	**792,174**
Write-offs	-	-	(4,926)	-	**(4,926)**
Recoveries of amounts previously written off	-	-	12,945	54	**12,999**
As at December 31, 2025	**882,249**	**6,164**	**40,117**	**-**	**928,530**

(In thousands of AZN, unless otherwise indicated)

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortized cost					
As at January 1, 2024	**635,634**	**3,662**	**18,413**	-	**657,709**
Transfer to Stage 1	3,620	(289)	(3,331)	-	-
Transfer to Stage 2	(2,945)	2,999	(54)	-	-
Transfer to Stage 3	(12,991)	(2,834)	15,825	-	-
Other movements*	(387,467)	923	(10,101)	(5,210)	**(401,855)**
New financial assets originated or purchased	507,555	-	-	-	**507,555**
Write-offs	-	-	(16,623)	-	**(16,623)**
Recoveries of amounts previously written off	-	-	15,681	5,210	**20,891**
As at December 31, 2024	**743,406**	**4,461**	**19,810**	**-**	**767,677**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortized cost-retail loans					
As at January 1, 2025	**720,627**	**4,461**	**17,386**	**-**	**742,474**
Transfer to Stage 1	637	(121)	(516)	-	**-**
Transfer to Stage 2	(4,603)	4,626	(23)	-	**-**
Transfer to Stage 3	(24,204)	(3,757)	27,961	-	**-**
Other movements*	(597,277)	909	(16,474)	(54)	**(612,896)**
New financial assets originated or purchased	767,989	-	-	-	**767,989**
Write-offs	-	-	(4,899)	-	**(4,899)**
Recoveries of amounts previously written off	-	-	12,852	54	**12,906**
As at December 31, 2025	**863,169**	**6,118**	**36,287**	**-**	**905,574**

	Stage 1	Stage 2	Stage 3	POCI	Total
Loans to customers at amortized cost-retail loans					
As at January 1, 2024	**595,865**	**3,358**	**12,713**	-	**611,936**
Transfer to Stage 1	746	(289)	(457)	-	**-**
Transfer to Stage 2	(2,945)	2,999	(54)	-	**-**
Transfer to Stage 3	(12,141)	(2,530)	14,671	-	**-**
Other movements*	(354,083)	923	(8,545)	(5,210)	**(366,915)**
New financial assets originated or purchased	493,185	-	-	-	**493,185**
Write-offs	-	-	(16,623)	-	**(16,623)**
Recoveries of amounts previously written off	-	-	15,681	5,210	**20,891**
As at December 31, 2024	**720,627**	**4,461**	**17,386**	-	**742,474**

(In thousands of AZN, unless otherwise indicated)

	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortized cost-business loans				
As at January 1, 2025	**22,779**	**-**	**2,424**	**25,203**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(46)	46	-	-
Transfer to Stage 3	(1,602)	-	1,602	-
Other movements*	(26,236)	-	(262)	(26,498)
New financial assets originated or purchased	24,185	-	-	24,185
Write-offs	-	-	(27)	(27)
Recoveries of amounts previously written off	-	-	93	93
As at December 31, 2025	**19,080**	**46**	**3,830**	**22,956**

	Stage 1	Stage 2	Stage 3	Total
Loans to customers at amortized cost-business loans				
As at January 1, 2024	**39,769**	**304**	**5,700**	**45,773**
Transfer to Stage 1	2,874	-	(2,874)	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(850)	(304)	1,154	-
Other movements*	(33,384)	-	(1,556)	(34,940)
New financial assets originated or purchased	14,370	-	-	14,370
As at December 31, 2024	**22,779**	**-**	**2,424**	**25,203**

(In thousands of AZN, unless otherwise indicated)

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

	Stage 1	Stage 2	Stage 3	POCI	Total
*Loans to customers at amortized cost**					
As at January 1, 2025	**5,157**	**2,098**	**11,177**	**-**	**18,432**
Transfer to Stage 1	477	(115)	(362)	-	-
Transfer to Stage 2	(50)	64	(14)	-	-
Transfer to Stage 3	(475)	(1,777)	2,252	-	-
Net remeasurement of loss allowance	(7,224)	1,670	680	(54)	(4,928)
New financial assets originated or purchased	9,711	-	-	-	9,711
Write-offs	-	-	(4,926)	-	(4,926)
Recoveries of amounts previously written off	-	-	12,945	54	12,999
Unwinding of discount on present value of ECLs	-	-	1,414	-	1,414
As at December 31, 2025	**7,596**	**1,940**	**23,166**	**-**	**32,702**

	Stage 1	Stage 2	Stage 3	POCI	Total
*Loans to customers at amortized cost**					
As at January 1, 2024	**3,612**	**1,713**	**10,440**	**-**	**15,765**
Transfer to Stage 1	1,486	(134)	(1,352)	-	-
Transfer to Stage 2	(27)	49	(22)	-	-
Transfer to Stage 3	(215)	(1,304)	1,519	-	-
Net remeasurement of loss allowance	(5,275)	1,774	389	(5,210)	(8,322)
New financial assets originated or purchased	5,576	-	-	-	5,576
Write-offs	-	-	(16,623)	-	(16,623)
Recoveries of amounts previously written off	-	-	15,681	5,210	20,891
Unwinding of discount on present value of ECLs	-	-	1,145	-	1,145
As at December 31, 2024	**5,157**	**2,098**	**11,177**	**-**	**18,432**

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

(In thousands of AZN, unless otherwise indicated)

	Stage 1	Stage 2	Stage 3	POCI	Total
*Loans to customers at amortized cost – retail loans**					
As at January 1, 2025	**5,049**	**2,098**	**9,289**	**-**	**16,436**
Transfer to Stage 1	477	(115)	(362)	-	-
Transfer to Stage 2	(50)	64	(14)	-	-
Transfer to Stage 3	(462)	(1,777)	2,239	-	-
Net remeasurement of loss allowance	(7,273)	1,654	53	(54)	(5,620)
New financial assets originated or purchased	9,649	-	-	-	9,649
Write-offs	-	-	(4,899)	-	(4,899)
Recoveries of amounts previously written off	-	-	12,852	54	12,906
Unwinding of discount on present value of ECLs			1,345		1,345
As at December 31, 2025	**7,390**	**1,924**	**20,503**	**-**	**29,817**

	Stage 1	Stage 2	Stage 3	POCI	Total
*Loans to customers at amortized cost – retail loans**					
As at January 1, 2024	**3,381**	**1,639**	**6,900**	**-**	**11,920**
Transfer to Stage 1	319	(134)	(185)	-	-
Transfer to Stage 2	(27)	49	(22)	-	-
Transfer to Stage 3	(210)	(1,230)	1,440	-	-
Net remeasurement of loss allowance	(3,920)	1,774	1,126	(5,210)	(6,230)
New financial assets originated or purchased	5,506	-	-	-	5,506
Write-offs	-	-	(16,623)	-	(16,623)
Recoveries of amounts previously written off	-	-	15,681	5,210	20,891
Unwinding of discount on present value of ECLs	-	-	972	-	972
As at December 31, 2024	**5,049**	**2,098**	**9,289**	**-**	**16,436**

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

(In thousands of AZN, unless otherwise indicated)

	Stage 1	Stage 2	Stage 3	Total
*Loans to customers at amortized cost-business loans**				
As at January 1, 2025	**108**	**-**	**1,888**	**1,996**
Transfer to Stage 3	(13)	-	13	-
Net remeasurement of loss allowance	49	16	627	692
New financial assets originated or purchased	62	-	-	62
Write-offs	-	-	(27)	(27)
Recoveries of amounts previously written off	-	-	93	93
Unwinding of discount on present value of ECLs	-	-	69	69
As at December 31, 2025	**206**	**16**	**2,663**	**2,885**

	Stage 1	Stage 2	Stage 3	Total
*Loans to customers at amortized cost-business loans**				
As at January 1, 2024	**231**	**74**	**3,540**	**3,845**
Transfer to Stage 1	1,167	-	(1,167)	-
Transfer to Stage 2	-	-	-	
Transfer to Stage 3	(5)	(74)	79	-
Net remeasurement of loss allowance	(1,355)	-	(737)	(2,092)
New financial assets originated or purchased	70	-	-	70
Unwinding of discount on present value of ECLs	-	-	173	173
As at December 31, 2024	**108**	**-**	**1,888**	**1,996**

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

(In thousands of AZN, unless otherwise indicated)

Credit quality analysis

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

	Stage 1	Stage 2	Stage 3	**Total**
Loans to customers at amortized cost				
Not overdue	870,156		4,463	874,619
Overdue less than 30 days	11,547	-	1,463	13,010
Overdue 30-89 days	546	6,164	2,126	8,836
Overdue 90-179 days	-	-	7,502	7,502
Overdue 180-360 days	-	-	6,775	6,775
Overdue more than 360 days	-	-	17,788	17,788
Total gross loans to customers	**882,249**	**6,164**	**40,117**	**928,530**
Less: allowance for expected credit losses	(7,596)	(1,940)	(23,166)	(32,702)
Carrying amount as at December 31, 2025	**874,653**	**4,224**	**16,951**	**895,828**

	Stage 1	Stage 2	Stage 3	**Total**
Loans to customers at amortized cost				
Not overdue	731,796	-	1,486	733,282
Overdue less than 30 days	11,263	-	472	11,735
Overdue 30-89 days	347	4,461	295	5,103
Overdue 90-179 days	-	-	5,288	5,288
Overdue 180-360 days	-	-	6,726	6,726
Overdue more than 360 days	-	-	5,543	5,543
Total gross loans to customers	**743,406**	**4,461**	**19,810**	**767,677**
Less: allowance for expected credit losses	(5,157)	(2,098)	(11,177)	(18,432)
Carrying amount as at December 31, 2024	**738,249**	**2,363**	**8,633**	**749,245**

	Stage 1	Stage 2	Stage 3	**Total**
Loans to customers at amortized cost – consumer loans				
Not overdue	599,953	-	3,894	603,847
Overdue less than 30 days	4,842	-	1,219	6,061
Overdue 30-89 days	434	3,458	1,987	5,879
Overdue 90-179 days	-	-	4,305	4,305
Overdue 180-360 days	-	-	3,845	3,845
Overdue more than 360 days	-	-	8,861	8,861
Total gross loans to customers	**605,229**	**3,458**	**24,111**	**632,798**
Less: allowance for expected credit losses	(5,110)	(913)	(12,203)	(18,226)
Carrying amount as at December 31, 2025	**600,119**	**2,545**	**11,908**	**614,572**

	Stage 1	Stage 2	Stage 3	**Total**
Loans to customers at amortized cost – consumer loans				
Not overdue	470,723	-	478	471,201
Overdue less than 30 days	6,335	-	130	6,465
Overdue 30-89 days	219	2,574	123	2,916
Overdue 90-179 days	-	-	2,818	2,818
Overdue 180-360 days	-	-	4,230	4,230
Overdue more than 360 days	-	-	1,209	1,209
Total gross loans to customers	**477,277**	**2,574**	**8,988**	**488,839**
Less: allowance for expected credit losses	(3,104)	(937)	(3,914)	(7,955)
Carrying amount as at December 31, 2024	**474,173**	**1,637**	**5,074**	**480,884**

(In thousands of AZN, unless otherwise indicated)

	Stage 1	Stage 2	Stage 3	**Total**
Loans to customers at amortized cost – microloans				
Not overdue	161,037		452	161,489
Overdue less than 30 days	3,440	-	214	3,654
Overdue 30-89 days	112	970	102	1,184
Overdue 90-179 days	-	-	995	995
Overdue 180-360 days	-	-	1,220	1,220
Overdue more than 360 days	-	-	2,483	2,483
Total gross loans to customers	**164,589**	**970**	**5,466**	**171,025**
Less: allowance for expected credit losses	(1,354)	(279)	(3,575)	(5,208)
Carrying amount as at December 31, 2025	**163,235**	**691**	**1,891**	**165,817**

	Stage 1	Stage 2	Stage 3	**Total**
Loans to customers at amortized cost – microloans				
Not overdue	125,956	-	268	126,224
Overdue less than 30 days	1,859	-	70	1,929
Overdue 30-89 days	128	626	29	783
Overdue 90-179 days	-	-	718	718
Overdue 180-360 days	-	-	1,170	1,170
Overdue more than 360 days	-	-	1,546	1,546
Total gross loans to customers	**127,943**	**626**	**3,801**	**132,370**
Less: allowance for expected credit losses	(940)	(296)	(2,399)	(3,635)
Carrying amount as at December 31, 2024	**127,003**	**330**	**1,402**	**128,735**

	Stage 1	Stage 2	Stage 3	**Total**
Loans to customers at amortized cost – card loans				
Not overdue	91,537	-	117	91,654
Overdue less than 30 days	1,034	-	30	1,064
Overdue 30-89 days	-	1,732	37	1,769
Overdue 90-179 days	-	-	612	612
Overdue 180-360 days	-	-	1,701	1,701
Overdue more than 360 days	-	-	3,143	3,143
Total gross loans to customers	**92,571**	**1,732**	**5,640**	**99,943**
Less: allowance for expected credit losses	(926)	(748)	(3,634)	(5,308)
Carrying amount as at December 31, 2025	**91,645**	**984**	**2,006**	**94,635**

	Stage 1	Stage 2	Stage 3	**Total**
Loans to customers at amortized cost – card loans				
Not overdue	107,979	-	130	108,109
Overdue less than 30 days	3,015	-	16	3,031
Overdue 30-89 days	-	1,247	38	1,285
Overdue 90-179 days	-	-	1,456	1,456
Overdue 180-360 days	-	-	1,252	1,252
Overdue more than 360 days	-	-	103	103
Total gross loans to customers	**110,994**	**1,247**	**2,995**	**115,236**
Less: allowance for expected credit losses	(975)	(860)	(1,655)	(3,490)
Carrying amount as at December 31, 2024	**110,019**	**387**	**1,340**	**111,746**

(In thousands of AZN, unless otherwise indicated)

	Stage 1	Stage 2	Stage 3	**Total**
Loans to customers at amortized cost – business loans				
Not overdue	17,629	-	-	17,629
Overdue less than 30 days	2,231	-	-	2,231
Overdue 30-89 days	-	4	-	4
Overdue 90-179 days	-	-	1,590	1,590
Overdue 180-360 days	-	-	9	9
Overdue more than 360 days	-	-	3,123	3,123
Total gross loans to customers	**19,860**	**4**	**4,722**	**24,586**
Less: allowance for expected credit losses	(206)	-	(3,576)	(3,782)
Carrying amount as at December 31, 2025	**19,654**	**4**	**1,146**	**20,804**

	Stage 1	Stage 2	Stage 3	**Total**
Loans to customers at amortized cost – business loans				
Not overdue	27,138	-	602	27,740
Overdue less than 30 days	54	-	256	310
Overdue 30-89 days	-	14	105	119
Overdue 90-179 days	-	-	296	296
Overdue 180-360 days	-	-	74	74
Overdue more than 360 days	-	-	2,488	2,488
Total gross loans to customers	**27,192**	**14**	**3,821**	**31,027**
Less: allowance for expected credit losses	(138)	(5)	(3,007)	(3,150)
Carrying amount as at December 31, 2024	**27,054**	**9**	**814**	**27,877**

	Stage 1	Stage 2	Stage 3	**Total**
Loans to customers at amortized cost – auto loans				
Overdue more than 360 days	-	-	178	178
Total gross loans to customers	**-**	**-**	**178**	**178**
Less: allowance for expected credit losses	-	-	(178)	(178)
Carrying amount as at December 31, 2025	**-**	**-**	**-**	**-**

(In thousands of AZN, unless otherwise indicated)

	Stage 1	Stage 2	Stage 3	**Total**
Loans to customers at amortized cost – auto loans				
Not overdue	-	-	8	8
Overdue more than 360 days	-	-	197	197
Total gross loans to customers	-	-	**205**	**205**
Less: allowance for expected credit losses	-	-	(202)	(202)
Carrying amount as at December 31, 2024	-	-	**3**	**3**

The following table sets out information on loans to customers that are credit-impaired (excluding POCI) and related collateral held in order to mitigate potential losses as at December 31, 2025 (excluding the effect of overcollateralisation) :

				Value of collateral held	
	Gross carrying amount	**Loss allowance**	**Net carrying amount**	**Real estate**	**Total**
Consumer loans	24,111	(12,203)	11,908	30	30
Card loans	5,640	(3,634)	2,006	-	-
Microloans	5,466	(3,575)	1,891	4,802	4,802
Business loans	4,722	(3,576)	1,146	4,722	4,722
Auto loans	178	(178)	-	-	-
Total credit-impaired loans to customers	**40,117**	**(23,166)**	**16,951**	**9,554**	**9,554**

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

				Value of collateral held	
	Gross carrying amount	**Loss allowance**	**Net carrying amount**	**Real estate**	**Total**
Consumer loans	8,988	(3,914)	5,074	122	122
Business loans	3,821	(3,007)	814	3,821	3,821
Microloans	3,801	(2,399)	1,402	3,801	3,801
Card loans	2,995	(1,655)	1,340	-	-
Auto loans	205	(202)	3	-	-
Total credit-impaired loans to customers	**19,810**	**(11,177)**	**8,633**	**7,744**	**7,744**

Repossessed collateral

During the year ended December 31, 2025, the Bank hasn't obtained any assets by taking possession of collateral for loans to customers (December 31, 2024: AZN 41 thousand and recognized them as assets held for sale). The Bank's policy is to sell these assets as soon as possible. Repossessed collateral is comprised of real estate and other assets and disclosed in Note 10.

Significant credit exposures

As at December 31, 2025, the Bank had six borrowers or groups of connected borrowers (December 31, 2024: seven borrowers) with gross loan balances exceeding AZN 1,000 thousand. The gross value of these loans as at December 31, 2025 was AZN 11,774 thousand or 1% of the total loans to customers (December 31, 2024: AZN 11,362 thousand or 2%). The related expected credit loss (ECL) allowance for these exposures amounted to AZN 2,003 thousand as at December 31, 2025 (December 31, 2024: AZN 1,309 thousand).

PD

For the loan portfolio segments, the Markov transition matrix is used to estimate PD by employing historical monthly data. Using average monthly transitions, an annual transition matrix is constructed. Point in time (PIT) PD is computed based on the last 12-month data. Through the cycle (TTC) PD was calculated using the last 48 months' historical overdue information. From the second year on TTC PD was used to calculate lifetime ECL. Forward-looking information is incorporated into the PD estimates through macroeconomic adjustments. Forward-looking information is incorporated into the PD estimates through macroeconomic adjustments. While the PD model is based on historical transition data, it is adjusted to reflect expected future economic conditions in line with the Bank's methodology

PD levels are determined for the relevant pools depending on the portfolio segmentation:

- the PD level for loans to individuals, for which loss allowance is based on 12-month ECL, ranges from 0.20% to 27.90% (December 31, 2024: 0.20% – 16.59%); for loans that are not credit-impaired and for which loss allowance is based on lifetime ECL, ranges from 8.16% to 93.75% (December 31, 2024: 7.10%-90.54%);
- the PD level for loans to corporates, for which loss allowance is based on 12-month ECL, ranges from 1.20% to 14.60% (December 31, 2024: 1.59% – 20.15%); for loans that are not credit-impaired and for which loss allowance is based on lifetime ECL, ranges from 50.10% to 91.30% (December 31, 2024: 75.80%-85.60%).

LGD

According to the methodology, LGD modelling is based on average rates of historical cash recoveries that capture cured and non-cured cases. The recovery period is limited to 60 months and LGD is permanently set to 100% after this period.

LGD levels are determined for the relevant pools depending on the portfolio segmentation:

- the LGD level for loans to individuals ranges from 31.60% to 100.00% (December 31, 2024: 21.11% – 100%);
- within loans to individuals, the LGD level for consumer loans ranges from 31.60% to 100.00% (December 31, 2024: 21.11% – 100.00%);
- the LGD level for Cards ranges from 52.07% to 96.74% (December 31, 2024: 50.62% – 96.79%);
- the LGD level for Microloans ranges from 44.51% to 98.56% (December 31, 2024: 43.25% – 98.69%);
- the LGD level for loans to corporates ranges from 44.14% to 100.00% (December 31, 2024: 39.16% – 95.83%)

EAD

For the loan portfolio, there is an assumption that defaults are evenly distributed over the year, so the default point is identified as mid-year. EAD for Stage 1 is calculated based on principal amortization for the second month plus accrued interest for the following 4-month period, with addition of accrued fines, penalties, and overdue interest (if any). However, if the remaining life is less than 6 months or there are overdue debts as of the current reporting date, EAD is the amount of principal debt plus overdue principal as of the reporting date, with addition of accrued and overdue interest up to 4 months. EAD for Stage 2 is calculated based on the planned amortization schedule and accrued interest, where default point is mid-year for each subsequent year. EAD for Stage 3 equals current exposure. CCF is taken as 100% for unused credit lines for cards portfolio due to the lack of historical data for modelling.

Sensitivity analysis

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the loss given default (LGD) differs by one percentage point, the allowance for expected credit losses on loans to customers as at December 31, 2025 would be AZN 642 thousand higher/lower (December 31, 2024: AZN 401k thousand higher/lower).

(In thousands of AZN, unless otherwise indicated)

8. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Land and buildings	Furniture and equipment	Computers and communication equipment	Vehicles	Leasehold Improvement	Other assets	Licenses and computer software	Total property, equipment and intangible assets
Cost/revalued amount								
January 1, 2024	**12,183**	**6,248**	**11,946**	**851**	**-**	**338**	**3,063**	**34,629**
Effect on revaluation	10,262	-	-	-	-	-	-	10,262
Cost eliminated on revaluation	(5,114)	-	-	-	-	-	-	(5,114)
Additions	-	689	1,367	-	154	6	383	2,599
Disposals	-	-	(1,983)	-	-	-	-	(1,983)
December 31, 2024	**17,331**	**6,937**	**11,330**	**851**	**154**	**344**	**3,446**	**40,393**
Additions	-	916	1,877	83	69	10	731	3,686
Disposals	(145)	(185)	(5)	(140)	-	(3)	(2)	(480)
December 31, 2025	**17,186**	**7,668**	**13,202**	**794**	**223**	**351**	**4,175**	**43,599**
January 1, 2024	**(4,509)**	**(5,500)**	**(8,948)**	**(566)**	**-**	**(297)**	**(2,318)**	**(22,138)**
Depreciation/amortization charge	(605)	(341)	(1,297)	(89)	(6)	(16)	(155)	(2,509)
Eliminated on disposals	-	-	1,983	-	-	-	-	1,983
Accumulated depreciation eliminated on revaluation	5,114	-	-	-	-	-	-	5,114
December 31, 2024	**-**	**(5,841)**	**(8,262)**	**(655)**	**(6)**	**(313)**	**(2,473)**	**(17,550)**
Depreciation/amortization charge	(596)	(428)	(1,485)	(80)	(41)	(15)	(153)	(2,798)
Eliminated on disposals	78	185	5	140	-	3	2	413
December 31, 2025	**(518)**	**(6,084)**	**(9,742)**	**(595)**	**(47)**	**(325)**	**(2,624)**	**(19,935)**
Net book value								
As at December 31, 2025	**16,668**	**1,584**	**3,460**	**199**	**176**	**26**	**1,551**	**23,664**
As at December 31, 2024	**17,331**	**1,096**	**3,068**	**196**	**148**	**31**	**973**	**22,843**

As at December 31, 2025 and 2024 included in property and equipment were fully depreciated assets of AZN 14,201 thousand and AZN 15,575 thousand, respectively.

As at December 31, 2025 and 2024, included in property and equipment were insured assets of AZN 17,811 thousand and AZN 20,525 thousand, respectively.

(In thousands of AZN, unless otherwise indicated)

Revalued land and buildings

The fair values of the Bank’s lands and buildings are categorized into Level 3 of the fair value hierarchy as at December 31, 2025 and 2024. The Bank engaged an independent appraiser, “RSM Azerbaijan” LLC to determine the revalued amount of its property as at December 31, 2024. Revalued amount is determined by reference to market and income-based evidences. The valuation method used was sales-comparison and income analysis. The revaluation gain amounting to AZN 10,262 thousand has been recognized within other comprehensive income for the year ended December 31, 2024. The carrying amount does not differ materially from the fair value as at December 31, 2025, therefore no separate valuation was performed.

The key unobservable inputs used in the valuation include estimated market prices per square meter and rental rates per square meter, which are derived from comparable market data for similar properties, taking into account differences in location, condition and usage.

The carrying value of buildings as at December 31, 2025, if they would not have been revalued, would be AZN 3,374 thousand (December 31, 2024: AZN 3,967 thousand).

9. RIGHT-OF-USE ASSETS

	Office buildings	Others	Total right-of-use assets
At initial cost			
January 1, 2024	**14,437**	**-**	**14,437**
Additions	747	-	747
Modifications	2,201	-	2,201
December 31, 2024	**17,385**	**-**	**17,385**
Additions	-	131	131
Modifications	2,987	-	2,987
December 31, 2025	**20,372**	**131**	**20,503**
Accumulated depreciation			
January 1, 2024	**(9,091)**	**-**	**(9,091)**
Depreciation charge	(2,434)	-	(2,434)
December 31, 2024	**(11,525)**	**-**	**(11,525)**
Depreciation charge	(2,400)	(44)	(2,444)
December 31, 2025	**(13,925)**	**(44)**	**(13,969)**
Net book value			
December 31, 2025	**6,461**	**87**	**6,548**
December 31, 2024	**5,860**	**-**	**5,860**

10. OTHER ASSETS

	December 31, 2025	December 31, 2024
Other financial assets:		
Receivable from intermediaries	7,173	9,943
Funds in settlement	4,442	5,802
Restricted cash with foreign entity	1,995	1,772
Others	835	460
Less: allowances for expected credit losses	(117)	(117)
Total other financial assets	**14,328**	**17,860**
Other non-financial assets:		
Tax assets	4,228	3,959
Prepaid expenses	2,311	1,895
Prepayments for purchase of property, equipment and intangible assets	1,188	1,438
Repossessed collaterals	458	491
Less: impairment losses on prepayments	(1,114)	(1,114)
Less: cumulative change in fair value of repossessed collaterals	(454)	(461)
Total other non-financial assets	**6,617**	**6,208**
Total other assets	**20,945**	**24,068**

There were no transfers between stages during the years ended December 31, 2025 and 2024.

(In thousands of AZN, unless otherwise indicated)

All other financial assets are classified in Stage 1, and the expected credit loss (ECL) is not material as at 31 December 2025 and 2024.

During the year ended December 31, 2025, the Bank hasn't obtained any assets by taking possession of collateral for loans to customers (December 31, 2024: AZN 41 thousand) and recognized them as assets held for sale.

11. AMOUNTS DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	December 31, 2025	December 31, 2024
Time deposits	78,228	54,795
Payable under repurchase agreements	-	18,572
Demand deposits	387	7,840
Borrowed funds		
Azerbaijan Mortgage and Credit Guarantee Fund	58,408	44,906
Azerbaijan Business Development Fund	7,350	8,694
Azerbaijan State Agency on Agricultural Credits under the Ministry of Agriculture	184	850
Total borrowed funds	**65,942**	**54,450**
Total amounts due to banks and other financial institutions	**144,557**	**135,657**

Azerbaijan Mortgage and Credit Guarantee Fund

The Bank signed an agreement on July 11, 2007 with the Azerbaijan Mortgage and Credit Guarantee Fund, for the initial financing and refinancing of mortgage loans at an interest rate of 1-4% p.a. As at December 31, 2025, the Bank had AZN 58,408 thousand (December 31, 2024: AZN 44,906 thousand) payable to the fund, repayable up to August 2053. There are no financial covenants with regard to borrowing from the Azerbaijan Mortgage and Credit Guarantee Fund that the Bank should comply with.

Azerbaijan Business Development Fund

The Bank signed a credit agreement on May 14, 2012 with the Azerbaijan Business Development Fund, a programme under the auspices of the Ministry for Economy of the Republic of Azerbaijan, for the financing of small and medium-sized enterprises. Under this programme, funds are made available to the Bank at an interest rate of 1.0% per annum and the Bank lends these funds to eligible borrowers at rates not higher than 6.0%-7.0% per annum. As at December 31, 2025 the Bank had AZN 7,350 thousand (December 31, 2024: AZN 8,694 thousand) payable to the fund, repayable up to June 2028. There are no financial covenants with regard to borrowing from the Azerbaijan Business Development Fund that the Bank should comply with.

Agrarian Credit and Development Agency under the Ministry of Agriculture of the Republic of Azerbaijan

During the year ended December 31, 2025, the Bank received borrowings in the amount of AZN 43 thousand from the Agrarian Credit and Development Agency under the Ministry of Agriculture of the Republic of Azerbaijan with an annual interest rate of 2.5% per annum for the purpose of issuing loans to customers. As at December 31, 2025, the Bank had AZN 184 thousand payable to the agency, repayable up to December 2026 (December 31, 2024: AZN 850 thousand).

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

As at December 31, 2025, accrued interest expenses included in amounts due to banks and other financial institutions amounted to AZN 4,312 thousand (December 31, 2024: AZN 3,432 thousand).

(In thousands of AZN, unless otherwise indicated)

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

	Amount
January 1, 2024	**74,686**
Cash flows	
Proceeds	35,585
Repayment	(38,752)
Interest paid	(1,772)
Non-cash changes	
Interest expense	3,275
December 31, 2024	**73,022**
Cash flows	
Proceeds	19,417
Repayment	(26,487)
Interest paid	(3,671)
Non-cash changes	
Interest expense	3,660
December 31, 2025	**65,941**

12. AMOUNTS DUE TO CUSTOMERS

	December 31, 2025	December 31, 2024
Current accounts and demand deposits		
- Retail	74,448	74,573
- Corporate	51,717	36,649
Total current accounts and demand deposits	**126,165**	**111,222**
Term deposits		
- Retail	621,063	481,869
- Corporate	8,993	2,568
Total term deposits	**630,056**	**484,437**
Total amounts due to customers	**756,221**	**595,659**

As at December 31, 2025, the Bank did not have any customer (December 31, 2024: nil), whose balance exceeded 10% of equity.

As at December 31, 2025 and 2024 amounts due to customers totalling AZN 31,265 thousand and AZN 25,130 thousand, respectively were held as security against loans and AZN 24,053 thousand and AZN 21,098 thousand as security against undrawn credit facilities.

Included in amounts due to customers in the amount of AZN 624,370 thousand and AZN 474,212 thousand as at December 31, 2025 and 2024, respectively are deposits and current accounts secured by the Azerbaijan Deposit Insurance Fund.

As at December 31, 2025, accrued interest expenses included in amounts due to customers amounted to AZN 14,640 thousand (December 31, 2024: AZN 10,716 thousand).

(In thousands of AZN, unless otherwise indicated)

13. DEBT SECURITIES ISSUED

	December 31, 2025	December 31, 2024
Debt securities measured at amortized cost	19,824	-
Total debt securities measured at amortized cost	**19,824**	**-**

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

January 1, 2025	-
Cash flows	
Proceeds	20,000
Transaction cost	(300)
Interest paid	(649)
Non-cash changes	
Interest expense	773
December 31, 2025	**19,824**

As at December 31, 2025, debt securities issued amounted to AZN 20,000 thousand on September 23, 2025 (December 31, 2024: AZN nil). The issue comprised 200,000 bonds, each with a nominal value of AZN 100, interest-bearing, registered (named), uncertificated (dematerialized), and unsecured. The bonds carry a coupon rate of 13% and effective interest rate 14.46% per annum and a maturity period of 18 months, with coupon payments made every 90 days from the issue date .

As at December 31, 2025, accrued interest income included in debt securities amounted to AZN 124 thousand (December 31, 2024: nil).

14. SUBORDINATED DEBTS

	Issue date	Maturity date	Interest rate	December 31, 2025	December 31, 2024
Subordinated debt from related parties (“Azpetrol Neft Shirketi” LLC, USD 9,860 thousand, monthly interest payment)	January-March, 2016	January 2026	4.5%	16,762	16,762

In the event of bankruptcy or liquidation of the Bank, repayments of these debts are subordinate to the repayments of the Bank’s liabilities to all other creditors.

The Bank is not obligated to comply with financial covenants in relation to subordinated debt balances disclosed above.

As at December 31, 2025, accrued interest expenses included in subordinated debt amounted to AZN 37 thousand (December 31, 2024: AZN 37 thousand).

(In thousands of AZN, unless otherwise indicated)

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

	Amount
January 1, 2024	**16,762**
Cash flows	
Interest paid	(753)
Non-cash changes	
Interest expense	753
December 31, 2024	**16,762**
Cash flows	
Interest paid	(753)
Non-cash changes	
Interest expense	753
December 31, 2025	**16,762**

15. LEASE LIABILITIES

	December 31, 2025	December 31, 2024
Current lease liabilities	2,355	2,243
Non-current lease liabilities	4,544	3,874
Total lease liabilities	**6,899**	**6,117**

Future minimum lease payments as at December 31, 2025 were as follows:

	Minimum lease payments due		
	Within one year	One to five years	Total
Lease payments	2,878	4,905	7,783
Finance charges	(523)	(362)	(885)
Net present value as at December 31, 2025	**2,355**	**4,544**	**6,899**

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

	Minimum lease payments due		
	Within one year	One to five years	Total
Lease payments	2,794	4,255	7,049
Finance charges	(551)	(381)	(932)
Net present value as at December 31, 2024	**2,243**	**3,874**	**6,117**

(In thousands of AZN, unless otherwise indicated)

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

	Amount
January 1, 2024	**5,535**
Cash flows	
Repayment of principal	(2,366)
Interest paid	(429)
Non-cash changes	
Interest expense	429
New leases	747
Modifications	2,201
December 31, 2024	**6,117**
Cash flows	
Repayment of principal	(2,336)
Interest paid	(725)
Non-cash changes	
Interest expense	725
New leases	1,013
Modifications	2,105
December 31, 2025	**6,899**

16. OTHER LIABILITIES

	December 31, 2025	December 31, 2024
Other financial liabilities:		
Accrued expenses	5,840	3,413
Funds in settlements	1,496	3,041
Payables to Azerbaijan Deposit Insurance Fund	1,093	867
Derivative financial instruments	774	819
Others	960	503
Total other financial liabilities	**10,163**	**8,643**
Other non-financial liabilities:		
Salary and other payables to employees	4,907	5,605
Payables to State Social Protection Fund	2,099	2,253
Deferred income	639	965
Total other non-financial liabilities	**7,645**	**8,823**
Total other liabilities	**17,808**	**17,466**

The Bank entered into derivative financial instruments as at December 31, 2025 and 2024 in order to release funds for lending in the national currency and to more effectively manage the Liquidity Coverage Ratio (LCR), which is mandatorily required by the Central Bank of the Republic of Azerbaijan. The Bank's derivative financial instruments consist entirely of foreign exchange swaps. Swaps are contractual agreements between two parties to exchange movements in foreign currency rates based on specified notional amounts.

(In thousands of AZN, unless otherwise indicated)

17. SHARE CAPITAL

The authorized, issued and outstanding share capital comprises 3,400,000 ordinary shares (December 31, 2024: 3,400,000). All shares have a nominal value of AZN 15.55 per share. Each share entitles one vote to the shareholder.

Dividends in the amount of AZN 12,000 thousand were declared and paid by the Bank during the year ended December 31, 2025, with a dividend per share of AZN 3.53 (December 31, 2024: AZN 10,526, AZN 3.10).

18. NET INTEREST INCOME

	Year ended December 31, 2025	Year ended December 31, 2024
Interest income calculated using the effective interest method		
Loans to customers	153,477	136,866
Cash and cash equivalents	5,681	5,300
Amounts due from banks and other financial institutions	3,617	2,967
Investment securities	4,732	2,883
Other	21	36
Total interest income calculated using the effective interest method	**167,528**	**148,052**
Interest expense calculated using the effective interest method		
Amounts due to customers	(59,754)	(45,094)
Amounts due to banks and other financial institutions	(10,563)	(8,388)
Debt securities	(776)	-
Subordinated debt	(753)	(753)
Lease liabilities	(725)	(429)
Total interest expense calculated using the effective interest method	**(72,571)**	**(54,664)**
Net interest income	**94,957**	**93,388**

19. CHARGE/(RECOVERY) OF EXPECTED CREDIT LOSSES ON DEBT FINANCIAL ASSETS

The following tables provide a reconciliation of the charge/(recovery) of expected credit losses on debt financial assets in the statement of profit or loss and other comprehensive income per class of financial instrument for the years ended December 31, 2025 and 2024.

	Year ended December 31, 2025	Year ended December 31, 2024
Charge/(recovery) of expected credit losses on loans to customers	(4,783)	2,746
Charge of expected credit losses on investment securities	(117)	-
Recovery of expected credit losses on other financial assets	-	(117)
Total (charge)/recovery of expected credit losses on debt financial assets	**(4,900)**	**2,629**

(In thousands of AZN, unless otherwise indicated)

20. FEE AND COMMISSION INCOME

	Year ended December 31, 2025	Year ended December 31, 2024
Plastic card operations	19,031	16,045
Settlements	908	1,129
Cash operations	769	791
Guarantee letters	2	19
Currency conversion operations	-	7
Other operations	259	230
Total fee and commission income	**20,969**	**18,221**

21. FEE AND COMMISSION EXPENSE

	Year ended December 31, 2025	Year ended December 31, 2024
Plastic card operations	(14,465)	(18,773)
Settlements	(6,091)	(6,361)
Cash operations	(128)	(155)
Guarantee letters	(6)	(16)
Other operations	(295)	(98)
Total fee and commission expense	**(20,985)**	**(25,403)**

22. PERSONNEL EXPENSES

	Year ended December 31, 2025	Year ended December 31, 2024
Employee compensation	(28,457)	(27,245)
Payments to Social Security Fund	(4,942)	(4,932)
Other employment expenses	(825)	(361)
Total personnel expenses	**(34,224)**	**(32,538)**

(In thousands of AZN, unless otherwise indicated)

23. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended December 31, 2025	Year ended December 31, 2024
Depreciation and amortization expenses	(5,228)	(4,943)
Payments to the Deposit Insurance Fund	(3,996)	(3,520)
Marketing and advertising expenses	(3,747)	(4,143)
Legal and professional fees	(1,714)	(1,368)
Software cost	(1,609)	(1,336)
Communication expenses	(1,047)	(702)
Repair and maintenance expenses	(796)	(1,036)
Security expenses	(627)	(621)
Printing expenses	(576)	(519)
Utility expenses	(514)	(449)
Business travel and related expenses	(386)	(335)
Representation expenses	(306)	(319)
Office supplies	(281)	(359)
Occupancy and rent expenses	(228)	(267)
Taxes other than income tax	(105)	(227)
Vehicle running costs	(50)	(60)
Membership fees	(42)	(29)
Insurance expenses	(24)	(30)
Charity expenses	-	(61)
Others	(201)	(294)
Total general and administrative expenses	**(21,477)**	**(20,618)**

For the year ended 31 December 2025 AZN 275,400 (2024: AZN 118,000) audit fee was included in professional services fees. No non-audit service was performed for the Bank by the auditors

24. INCOME TAXES

The Bank measures and records its current income tax payable and its tax bases in its assets and liabilities in accordance with the tax regulations of the Republic of Azerbaijan where the Bank operates, which may differ from IFRS Accounting Standards.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Temporary differences as at December 31, 2025 and 2024 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax-book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the Republic of Azerbaijan on taxable profits (as defined) under tax law in that jurisdiction.

In 2025, the applicable tax rate for current and deferred income tax is 20% (December 31, 2024: 20%).

	December 31, 2025	December 31, 2024
Current income tax expense	(8,994)	(7,890)
Origination and reversal of temporary differences	1,119	(91)
Total income tax expense	**(7,875)**	**(7,981)**

(In thousands of AZN, unless otherwise indicated)

The effective tax rate reconciliation is as follows for the years ended December 31, 2025 and 2024:

	Year ended December 31, 2025	Year ended December 31, 2024
Profit before income tax	32,999	35,084
Tax at the statutory tax rate (20%)	(7,136)	(7,018)
Effect of permanent differences	(739)	(963)
Income tax expense	**(7,875)**	**(7,981)**

Deferred income tax assets and liabilities

Movements in temporary differences during the years ended December 31, 2025 and 2024 are presented as follows:

	January 1, 2025	Credited to profit or loss	Credited to OCI	December 31, 2025
Other liabilities	1,135	(749)	-	386
Lease liabilities	1,223	(467)	-	756
Other assets	142	2	-	144
Loans to customers	(5,166)	1,952	-	(3,214)
Property, equipment and intangible assets	(2,917)	(53)	-	(2,970)
Right-of-use assets	(1,172)	486	-	(686)
Investment securities	(88)	(10)	-	(98)
Amounts due from banks and other financial institutions	(17)	(1)	-	(18)
Debt securities in issue	-	(41)	-	(41)
Net deferred income tax liabilities	**(6,860)**	**1,119**	**-**	**(5,741)**

	January 1, 2024	Credited to profit or loss	Credited to OCI	December 31, 2024
Other liabilities	1,268	(133)	-	1,135
Lease liabilities	1,107	116	-	1,223
Other assets	28	114	-	142
Loans to customers	(5,074)	(92)	-	(5,166)
Property, equipment and intangible assets	(626)	(239)	(2,052)	(2,917)
Right-of-use assets	(1,070)	(102)	-	(1,172)
Investment securities	(79)	(9)	-	(88)
Amounts due from banks and other financial institutions	(4)	(13)	-	(17)
Amounts due to banks and other financial institutions	(267)	267	-	-
Net deferred income tax liabilities	**(4,717)**	**(91)**	**(2,052)**	**(6,860)**

(In thousands of AZN, unless otherwise indicated)

25. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 “Related party disclosures”, represent:

(a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Bank that gives them significant influence over the Bank; and that have joint control over the Bank;
(b) Associates – enterprises on which the Bank has significant influence and which are neither a subsidiary nor a joint venture of the investor;
(c) Joint ventures in which the Bank is a venture;
(d) Members of key management personnel of the Bank or its parent;
(e) Close members of the family of any individuals referred to in (a) or (d);
(f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
(g) Post-employment benefit plans for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

Control relationships

The Bank has no ultimate controlling party.

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

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

	Year ended December 31, 2025	Year ended December 31, 2024
Short-term employee benefits	5,670	6,997
Total short-term employee benefits	**5,670**	**6,997**

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

The outstanding balances and average nominal interest rates as at December 31, 2025 and 2024 for transactions with the members of the Supervisory Board and the Management Board are as follows:

	December 31, 2025	Average nominal interest rate, %	December 31, 2024	Average nominal interest rate, %
Statement of financial position				
Loans to customers	71	15.00%	85	14.68%
Amount due to customers (current accounts and demand deposits)	103	-	628	-
Amount due to customers (term deposits)	2,458	11.36%	2,330	11.07%

Amounts included in profit or loss in relation to transactions with the members of the Supervisory Board and the Management Board for the year ended December 31, 2025 and 2024 are as follows:

	December 31, 2025	December 31, 2024
Statement of profit or loss and other comprehensive income		
Interest income	15	5
Interest expense	(253)	(242)

(In thousands of AZN, unless otherwise indicated)

Transactions with other related parties

The outstanding balances and the related average effective interest rates as at December 31, 2025 and related profit or loss amounts of transactions for the year ended December 31, 2025 with other related parties are as follows:

	Shareholders		Others		Total
	Related party transactions	Average effective interest rate, %	Related party transactions	Average effective interest rate, %	
Financial position					
ASSETS					
Loans to customers					
Gross carrying amount	-	-	1,870	9.80%	1,870
Allowance for expected credit losses	-	-	(4)	-	(4)
LIABILITIES					
Amount due to banks and other financial institutions	-	-	2,519	10.00%	2,519
Amount due to customers					
Current accounts	1,729	-	14,325	-	16,054
Term deposits	3,693	8.75%	2,625	9.71%	6,318
Subordinated debt	16,762	4.59%	-	-	16,762
Profit or loss					
Interest income	-	-	102	-	102
Interest expense	(1,504)	-	(641)	-	(2,144)
Fee and commission income	7	-	160	-	167
General and administrative expenses	(50)	-	(685)	-	(735)

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

	Shareholders		Others		Total
	Related party transactions	Average effective interest rate, %	Related party transactions	Average effective interest rate, %	
Financial position					
ASSETS					
Loans to customers					
Principal balance	-	-	2,512	8.75%	2,512
Allowance for expected credit losses	-	-	(8)	-	(8)
LIABILITIES					
Amount due to customers					
Customer accounts	1,059	-	19,071	-	20,130
Term deposits	1,733	4.00%	4,616	10.00%	6,349
Subordinated debt	16,762	4.59%	-	-	16,762
Profit or Loss					
Interest income	-	-	199	-	199
Interest expense	(753)	-	(220)	-	(973)
General and administrative expenses	(62)	-	(758)	-	(820)

Other related parties include family members of key management personnel, entities under the control of shareholders. The majority of balances resulting from transactions with related parties mature within one year. Transactions with related parties are not secured.

(In thousands of AZN, unless otherwise indicated)

26. EARNING PER SHARE

Basic and diluted earnings per share

The calculation of basic earnings per share as at December 31, 2025 is based on the earnings attributable to ordinary shareholders of AZN 27,821 thousand (2024: AZN 27,103 thousand), and a weighted average number of ordinary shares outstanding of 3,400,000 (December 31, 2024: 3,400,000) calculated as follows.

	2025	2024
Net earnings attributable to ordinary shareholders	27,821	27,103
Weighted average number of ordinary shares for the year ended December 31 (thousands of shares)	3,400	3,400
Basic and diluted earnings per share (AZN)	**8.18**	**7.97**

27. COMMITMENTS AND CONTINGENCIES

Credit-related commitments

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

The Bank provides tender and advances guarantees and letters of credit to guarantee the performance of customers to third parties.

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

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

	December 31, 2025	December 31, 2024
Contracted amount		
Undrawn credit lines	134,406	135,000
Guarantees	1,100	2,526
Total contractual credit-related commitments	**135,506**	**137,526**

Guarantees are classified in Stage 1, and the expected credit loss (ECL) is not material as at 31 December 2025 and 2024. The ECL related to undrawn credit lines is disclosed within "Loans to customers at amortised cost – cards" in disclosure 7 "Loans to customers". All undrawn credit lines were classified in Stage 1 as at 31 December 2025 and 2024.

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

Insurance

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

Litigation

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

Taxation contingencies

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

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

28. OPERATING SEGMENTS

Management of the Bank considers the Bank comprises of one operating segment, considering that the Chief Operating Decision Maker (CODM) does not monitor the operating results, including interest-bearing assets and liabilities of the Bank's business units separately for the purpose of making decisions about resource allocation and performance assessment.

The CODM assesses the performance of the Bank based on profit before tax prepared in accordance with International Financial Reporting Standards (IFRS). Accordingly, the measure of profit or loss for the reportable segment is consistent with the Bank's profit before tax as presented in the financial statements, and no reconciliation is required.

The Bank operates solely within the Azerbaijan Republic. All revenue, assets and liabilities are generated and located within Azerbaijan. Accordingly, no geographical segment information is presented.

(In thousands of AZN, unless otherwise indicated)

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at December 31, 2025:

	Amortized Cost	FVTPL	Total carrying amount	Total fair value
ASSETS				
Cash and cash equivalents	131,952	-	131,952	131,952
Amounts due from banks and other financial institutions	44,764	-	44,764	44,573
Investment securities	59,035	338	59,373	58,437
Loans to customers	895,828	-	895,828	890,031
Other financial assets	14,328	-	14,328	14,200
TOTAL ASSETS	**1,145,907**	**338**	**1,146,245**	**1,139,193**
LIABILITIES				
Amounts due to banks and other financial institutions	144,557	-	144,557	140,755
Amounts due to customers	756,221	-	756,221	788,739
Subordinated debt	16,762	-	16,762	16,762
Debt securities issued	19,824	-	19,824	19,765
Lease liabilities	6,899	-	6,899	6,899
Other financial liabilities	10,163	-	10,163	10,163
TOTAL LIABILITIES	**954,426**	**-**	**954,426**	**983,083**

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

	Amortized cost	FVTPL	Total carrying amount	Total fair value
ASSETS				
Cash and cash equivalents	117,272	-	117,272	117,272
Amounts due from banks and other financial institutions	20,835	-	20,835	20,835
Investment securities	37,896	368	38,264	38,653
Loans to customers	749,245	-	749,245	745,132
Other financial assets	17,860	-	17,860	17,860
TOTAL ASSETS	**943,108**	**368**	**943,476**	**939,752**
LIABILITIES				
Amounts due to banks and other financial institutions	135,657	-	135,657	135,657
Amounts due to customers	595,659	-	595,659	617,714
Subordinated debt	16,762	-	16,762	16,762
Lease liabilities	6,117	-	6,117	6,117
Other financial liabilities	8,644	-	8,644	8,644
TOTAL LIABILITIES	**762,839**	**-**	**762,839**	**784,894**

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 realizable 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 Bank 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 premiums 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.

The Bank uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, like currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple over-the-counter derivatives like interest rate swaps.

For more complex instruments, the Bank uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Examples of instruments involving significant unobservable inputs include certain loans and securities for which there is no active market, certain over-the-counter structured derivatives, and retained interests in securitizations.

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

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

Investment securities

Investment securities valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Financial assets and financial liabilities carried at amortized cost

The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to banks and other financial assets and liabilities, obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Loans from government agencies

Management has assessed the nature of the agreements with the Azerbaijan Business Development Fund ("ABDF") and "Azerbaijan Mortgage and Credit Guarantee Fund" OJSC ("AMCGF"), and in particular, whether the Bank is acting as an agent of the Government agencies, or as a principal with the borrower under this program. Having considered the risks and rewards related to the loans issued under those programs, management has concluded that the Bank is acting as a principal and accordingly the accounting in these financial statements follows this judgment.

The loans issued by the Bank under these programs in accordance with decrees of government agencies do not have similar instruments on the market and form a separate market segment due to their unique nature, specifics of state lending program and borrowers' category. Thus the management assumes that contractual interest rates are market rates for such loans and they recognized at fair value which is equal to their nominal value.

Similarly, for the related funds received by the Bank from the government agencies under these programs, the management assumes that contractual interest rates are market rates for such borrowings and recognized at fair value which is equal to their nominal value.

Valuation of financial instruments

The Bank uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments.

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

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

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

(b) Fair value hierarchy

The Bank 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.

(In thousands of AZN, unless otherwise indicated)

The following tables analyse the fair value of financial instruments measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized.

		Fair value measurement using			
December 31, 2025	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**	**Total carrying amount**
ASSETS					
Cash and cash equivalents	25,624	106,328	-	131,952	131,952
Amounts due from banks and other financial institutions	-	20,000	24,573	44,573	44,764
Investment securities	15,874	42,563	-	58,437	59,373
Loans to customers			890,031	890,031	895,828
Other financial assets	-	-	14,200	14,200	14,328
LIABILITIES					
Amounts due to banks and other financial institutions	-	189,639	-	189,639	144,557
Amounts due to customers	-	695,511	93,228	788,739	756,221
Debt securities issued	-	19,765	-	19,765	19,824
Subordinated debt	-	-	16,762	16,762	16,762
Lease liabilities	-	-	6,899	6,899	6,899
Other financial liabilities	-	-	10,163	10,163	10,163

(In thousands of AZN, unless otherwise indicated)

		Fair value measurement using			
December 31, 2024	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**	**Total carrying amount**
ASSETS					
Cash and cash equivalents	21,880	95,392	-	117,272	117,272
Amounts due from banks and other financial institutions	-	-	20,835	20,835	20,835
Investment securities	12,038	26,247	-	38,653	38,264
Loans to customers	-	-	745,132	745,132	749,245
Other financial assets	-	-	17,860	17,860	17,860
LIABILITIES					
Amounts due to banks and other financial institutions	-	135,657	-	135,657	135,657
Amounts due to customers	-	578,497	39,217	617,714	595,659
Subordinated debt	-	-	16,792	16,792	16,792
Lease liabilities	-	-	6,117	6,117	6,117
Other financial liabilities	-	-	8,644	8,644	8,644

30. CAPITAL RISK MANAGEMENT

The CBAR sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the CBAR, banks have to maintain a ratio of capital to risk-weighted assets (statutory capital ratio) above the prescribed minimum level and maintain a minimum level of total statutory capital of AZN 50,000 thousand (December 31, 2024: AZN 50,000 thousand). As at December 31, 2025, requirement for the statutory total capital adequacy ratio was 10.5% (December 31, 2024: 10%). As at December 31, 2025, requirement for the statutory Tier 1 capital adequacy ratio was 5.5% (December 31, 2024: 5%).

The Bank was in compliance with the statutory capital requirement of AZN 50,000 thousand as at December 31, 2025 (December 31, 2024: was in compliance with the statutory capital requirement of AZN 50,000 thousand).

The Bank provides the CBAR with information on mandatory ratios in accordance with the set form. Risk Department controls on a daily basis compliance with capital adequacy ratios.

In case values of capital adequacy ratios become close to limits set by the CBAR and the Bank's internal policy this information is communicated to the Supervisory Board.

As at December 31, 2025 the Bank was in compliance with the requirements for minimum total capital adequacy ratio (December 31, 2024: was in compliance with minimum total capital adequacy ratio).

(In thousands of AZN, unless otherwise indicated)

The calculation of the total capital adequacy ratio based on requirements set by the CBAR as at December 31, 2025 and 2024 was as follows:

	December 31, 2025 (unaudited)	December 31, 2024 (unaudited)
Tier 1 capital		
Share capital	52,870	52,870
Retained earnings	80,626	66,694
Total tier 1 capital	**133,496**	**119,564**
Deductions from Tier 1 capital	2,664	2,086
Tier 1 capital, after deductions	130,832	117,478
Tier 2 capital (not more than Tier 1)	38,519	35,693
Total capital	**169,351**	**153,171**
Deductions from total capital	2,038	2,068
Total capital after deductions	**167,313**	**151,103**
Total risk-weighted assets	**1,239,517**	**1,033,356**
Tier 1 capital adequacy ratio	**10.55%**	**11.37%**
Total capital adequacy ratio	**13.50%**	**14.62%**

Reconciliation of total statutory capital to IFRS equity

The following unaudited supplementary information is intended to provide additional information to users of the financial statements of the Bank for the years ended December 31, 2025 and 2024 and is not required under International Financial Reporting Standards (IFRS).

	December 31, 2025 (unaudited)	December 31, 2024 (unaudited)
Total statutory capital (after deductions)	**167,313**	**151,103**
Reconciliation of total statutory capital and IFRS equity:		
- retained earnings	47,846	61,778
- current year profit	(920)	1,174
- Recovery of expected credit losses on debt financial assets	*(7,529)*	*(2,463)*
- net interest income	*1,569*	*5,325*
- other income	*619*	*145*
- net fee and commission income	*7,166*	*(8,683)*
- net gain on translation differences	*45*	*843*
- net realized loss on foreign currency derivatives	*(351)*	*(1,189)*
- income tax expense	*106*	*907*
- personnel expenses	*(1,686)*	*2,917*
- administrative expenses	*(859)*	*3,372*
- differences arising from deduction	4,702	4,154
- equity investment	*2,038*	*2,068*
- intangible assets	*2,664*	*2,086*
- general allowances	(6,433)	(23,271)
- other capital	(3,345)	(3,345)
- dividend declared	(12,000)	(10,526)
- revaluation reserve	11,426	11,701
Total IFRS equity	**208,589**	**192,768**

The table above provides an overview of the differences in the composition of the net assets as at December 31, 2025 and 2024 presented in the Bank’s financial statements prepared under IFRS and total statutory capital determined under the rules and regulations of the CBAR.

31. RISK MANAGEMENT, CORPORATE GOVERNANCE AND INTERNAL CONTROL

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

Corporate governance framework

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

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

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

As at December 31, 2025 the Supervisory Board includes:

- Elchin Isayev - Chairman of the Supervisory Board;
- Yunus Filiz Emre – Member of Supervisory Board;
- Ilgar Aliyev - Member of the Supervisory Board
- Famil Karimov- Member of the Supervisory Board;
- Arda Eromi - Member of the Supervisory Board;
- Rasim Guliyev – Member of Supervisory Board;
- Elkin Abdul Nurmammadov – Independent member of the Supervisory Board;
- Mayis Aliyev - Independent member of the Supervisory Board;
- Sakhavat Jabbarov - Independent member of the Supervisory Board.

Internal control policies and procedures

The Supervisory Board and the Management Board have responsibility for the development, implementation and maintenance of internal controls in the Bank that is commensurate with the scale and nature of operations.

The purpose of internal controls is to ensure:

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

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

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

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

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

The main functions of internal audit department include the following:

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

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

The internal control system in the Bank comprises:
- the Supervisory Board and its committees;
- the Chief Executive officer and the Management Board;
- the Chief Accountant;
- the risk management function;
- the security function, including IT security;
- the human resource function;
- the Internal Audit service;
- other employees, divisions and functions that are responsible for compliance with the established standards, policies and procedures, including:

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

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

Risk management policies and procedures

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

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

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

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

Credit, market and liquidity risk both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient and effective decision-making, the Bank established a hierarchy of Credit Committees depending on the type and amount of exposure.

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

Market risk

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

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

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

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

Interest rate risk

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

(In thousands of AZN, unless otherwise indicated)

Interest rate gap analysis

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

December 31, 2025	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest bearing	Total
FINANCIAL ASSETS							
Cash and cash equivalents	36,968	13,648	-	-	-	81,336	**131,952**
Amounts due from banks and other financial institutions	68	20,463	2,052	22,181	-	-	**44,764**
Loans to customers	35,964	69,076	276,376	464,071	50,341	-	**895,828**
Investment securities	4,730	25,407	9,632	17,574	1,692	338	**59,373**
Other financial assets	963	-	-	-	-	13,365	**14,328**
Total financial assets	**78,693**	**128,594**	**288,060**	**503,826**	**52,033**	**95,039**	**1,146,245**
FINANCIAL LIABILITIES							
Amounts due to banks and other financial institutions	7,577	28,793	38,049	12,410	57,728	-	**144,557**
Amounts due to customers	43,865	63,377	341,433	178,613	-	128,933	**756,221**
Debt securities in issue	-	-	-	19,824	-	-	**19,824**
Subordinated debt	16,762	-	-	-	-	-	**16,762**
Lease liabilities	171	342	1,842	4,544	-	-	**6,899**
Other financial liabilities	-	-	-	-	-	10,063	**10,163**
Total financial liabilities and commitments	**68,375**	**92,512**	**381,324**	**215,391**	**57,728**	**139,096**	**954,426**
Interest gap	**10,318**	**36,082**	**(93,264)**	**288,435**	**(5,695)**	**(44,057)**	**191,819**
Cumulative interest gap	**10,318**	**46,400**	**(46,864)**	**241,571**	**235,876**	**191,819**	

(In thousands of AZN, unless otherwise indicated)

December 31, 2024	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Non-interest bearing	Total
FINANCIAL ASSETS							
Cash and cash equivalents	53,796	-	-	-	-	63,476	**117,272**
Amounts due from banks and other financial institutions	177	-	401	20,257	-	-	**20,835**
Investment securities	2,465	5,765	9,529	18,409	1,728	368	**38,264**
Loans to customers	28,135	45,359	167,969	443,749	64,033	-	**749,245**
Other financial assets	-	-	-	-	-	17,860	**17,860**
Total financial assets	**84,573**	**51,124**	**177,899**	**482,415**	**65,761**	**81,704**	**943,476**
FINANCIAL LIABILITIES							
Amounts due to banks and other financial institutions	40,197	21,933	21,513	15,665	36,349	-	135,657
Amounts due to customers	40,992	40,923	207,604	210,744	-	95,396	595,659
Subordinated debt	37	-	-	16,725	-	-	16,762
Lease liabilities	242	439	1,562	3,874	-	-	6,117
Other financial liabilities	-	-	-	-	-	8,644	8,644
Total financial liabilities and commitments	**81,468**	**63,295**	**230,679**	**247,008**	**36,349**	**104,040**	**762,839**
Interest gap	**3,105**	**(12,171)**	**(52,780)**	**235,407**	**29,412**	**(22,335)**	**180,638**
Cumulative interest gap	**3,105**	**(9,066)**	**(61,846)**	**173,561**	**202,973**	**180,638**	

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

(In thousands of AZN, unless otherwise indicated)

Average effective interest rates

The table below displays average effective interest rates for interest-bearing assets and liabilities as at December 31, 2025 and 2024. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	December 31, 2025			December 31, 2024		
	Average effective interest rate, %			Average effective interest rate, %		
	AZN	USD	EUR	AZN	USD	EUR
Interest-bearing assets						
Cash and cash equivalents	6.54%	0.30%	-	6.50%	0.04%	0.02%
Amounts due from banks and other financial institutions	9.21%	-	-	16.87%	-	-
Investment securities	4.43%	2.37%	-	4.09%	4.17%	-
Loans to customers	18.83%	8.11%	-	17.93%	4.46%	-
Amounts due to banks and other financial institutions	6.11%	-	-	7.02%	-	-
Amounts due to customers	11.35%	2.65%	1.32%	10.80%	2.51%	1.27%
Debt securities issued	13.00%	-	-	-	-	-
Subordinated debt	-	4.50%	-	-	4.50%	-
Lease liabilities	8.85%	-	-	8.07%	-	-

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis, is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of the sensitivity of net profit or loss and equity (net of taxes) to changes in interest rates (repricing risk), based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at December 31, 2025 and 2024 is as follows:

	December 31, 2025	December 31, 2024
100 bp parallel fall	1,535	1,445
100 bp parallel rise	(1,535)	(1,445)

Currency risk

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

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

(In thousands of AZN, unless otherwise indicated)

The following table shows the foreign currency exposure structure of financial assets and liabilities as at December 31, 2025:

	AZN	USD	EUR	Other	Total
Cash and cash equivalents	103,805	22,688	4,637	822	**131,952**
Amounts due from banks and other financial institutions	44,764	-	-	-	**44,764**
Investment securities	36,821	20,554	1,998	-	**59,373**
Loans to customers	895,584	243	1	-	**895,828**
Other financial assets	11,520	2,237	563	8	**14,328**
Total financial assets	**1,092,494**	**45,722**	**7,199**	**830**	**1,146,245**
Swap agreements	**-**	**25,500**	**-**	**-**	**25,500**
Amounts due to banks and other financial institutions	144,557	-	-	-	**144,557**
Amounts due to customers	711,048	42,805	2,368	-	**756,221**
Debt Securities in issue	19,824	-	-	-	**19,824**
Subordinated debt	-	16,762	-	-	**16,762**
Lease liabilities	6,899	-	-	-	**6,899**
Other financial liabilities	9,930	72	161	-	**10,163**
Total financial liabilities	**892,258**	**59,639**	**2,529**	**-**	**954,426**
Swap agreements	**26,223**	**-**	**-**	**-**	**26,223**
OPEN POSITION	**174,013**	**11,583**	**4,670**	**830**	**191,096**

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

	AZN	USD	EUR	Other	Total
Cash and cash equivalents	82,281	29,473	4,885	633	**117,272**
Amounts due from banks and other financial institutions	20,835	-	-	-	**20,835**
Investment securities	24,502	13,762	-	-	**38,264**
Loans to customers	746,539	2,706	-	-	**749,245**
Other financial assets	14,661	2,016	1,183	-	**17,860**
Total financial assets	**888,818**	**47,957**	**6,068**	**633**	**943,476**
Swap agreements	**-**	**28,900**	**-**	**-**	**28,900**
Amounts due to banks and other financial institutions	135,361	296	-	-	135,657
Amounts due to customers	529,680	60,195	5,177	607	595,659
Subordinated debt	-	16,762	-	-	16,762
Lease liabilities	6,117	-	-	-	6,117
Other financial liabilities	8,418	118	108	-	8,644
Total financial liabilities	**679,576**	**77,371**	**5,285**	**607**	**762,839**
Swap agreements	**29,719**	**-**	**-**	**-**	**29,719**
OPEN POSITION	**179,523**	**(514)**	**783**	**26**	**179,818**

The Bank manages currency position and reports for compliance purposes based on statutory amounts.

(In thousands of AZN, unless otherwise indicated)

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

	December 31, 2025	December 31, 2024
20% appreciation of USD against AZN	1,853	(82)
20% appreciation of EUR against AZN	747	125

A strengthening of the AZN against the above currencies at December 31, 2025 and 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 remain constant.

Credit risk

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

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

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Management Department and a second opinion is given accompanied by verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department and the Risk Department. Individual transactions are also reviewed by the Credit Supervision Department as well as Legal, Accounting and Tax Departments depending on the specific risks and pending final approval of the Credit Committee. The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. Retail loan credit applications are reviewed by the Sales Department through the use of scoring models and application data verification procedures developed together with the Risk Management Department.

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

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

(In thousands of AZN, unless otherwise indicated)

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

	December 31, 2025	December 31, 2024
Cash and cash equivalents (excluding cash on hand)	106,328	95,392
Amounts due from banks and other financial institutions	44,764	20,835
Investment securities	59,035	37,896
Loans to customers	895,828	749,245
Other financial assets	14,328	17,860
Undrawn credit lines	134,406	135,000
Guarantees	1,100	2,526
Total maximum exposure	**1,255,789**	**1,058,754**

Credit risk - Amounts arising from ECL

Inputs, assumptions and techniques used for estimating impairment

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank 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 Bank's historical experience and expert credit assessment and including forward-looking information.

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

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

The Bank uses three criteria for determining whether there has been a significant increase in credit risk:

- quantitative test based on movement in probability of default (PD);
- qualitative indicators; and
- backstop of 30 days past due, except for transactions with financial institutions and issuers of securities, for which a backstop of 2-10 days past due is applied.

Generating the term structure of PD

The Bank collects performance and default information about its credit risk exposures by type of product as well as borrower's segment. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyze 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

A financial instrument is transferred from Stage 1 to Stage 2 if there is a significant increase in credit risk when assessed at the reporting date compared to the expected level of credit risk at initial recognition. The presence of a significant increase in credit risk is analyzed on a quarterly basis (at the date the provision was calculated), and the following criteria are considered in the analysis:

(In thousands of AZN, unless otherwise indicated)

Quality

- The fact of overdue debt for 31-90 days for all segments except transactions with financial institutions and issuers of securities;
- The presence of a debt overdue by 1-7 business days for transactions with financial institutions and issuers of securities;
- Reduction of financial support from the parent company or another affiliate;
- The receipt by the Bank of reliable negative information about products issued to the borrower.

Quantitative criteria apply only if there are external ratings:

- The relative change in the external rating at the reporting date compared to the external rating at the date of recognition according to the criteria given in Table 1.

Calculation and determination of criteria of materiality of the relative changes in the external rating

External ratings for corporate borrowers, financial institutions and issuers of securities are determined on the basis of assessments of international rating agencies Moody's, Fitch, and S&P.

The relative change in the external rating is defined as the number of rating categories for which the counterparty's external rating at the reporting date is reduced compared to the rating at the transaction date. The criteria for the materiality of changes in the external rating are given in Table 1.

For instruments with low credit risk, the standard assumes the possibility of simplifying and using the assumption that the credit risk of a financial instrument has not increased significantly since initial recognition if it was determined that the financial instrument has low credit risk as at the reporting date. To determine whether the credit risk of a financial instrument is low, the Bank may use external credit risk ratings.

Table 1: Criteria for determining a significant increase in credit risk depending on the value of the external rating upon initial recognition.

	Counterparty rating at initial recognition			**A significant increase in credit risk is recognized**
	Moody's	**Fitch**	**S&P**	
1	AAA	AAA	AAA	Low credit risk: stage does not change, unless the rating deteriorates by 3 notches
2	Aa1	AA+	AA+	
3	Aa2	AA	AA	
4	Aa3	AA-	AA-	
5	A1	A+	A+	
6	A2	A	A	
7	A3	A-	A-	
8	Baa1	BBB+	BBB+	
9	Baa2	BBB	BBB	
10	Baa3	BBB-	BBB-	
11	Ba1	BB+	BB+	Decrease of rating by 2 notches
12	Ba2	BB	BB	
13	Ba3	BB-	BB-	
14	B1	B+	B+	
15	B2	B	B	Decrease of rating by 1 notch
16	B3	B-	B-	
17	Caa1	CCC-C	CCC-C	
18	Caa2			
19	Caa3			
20	Ca-C			
21	D	D	D	

(In thousands of AZN, unless otherwise indicated)

Criteria for transferring a financial instrument to Stage 3

A financial instrument is transferred from Stage 1 / Stage 2 to Stage 3 if there is a default. For the purposes of the methodology of the Bank, a default event is assumed to be equivalent to an impairment event.

An impairment event for a financial instrument is determined at the borrower level for all portfolios except for the portfolio of retail borrowers. For retail borrowers, an impairment event is determined at the financial instrument level. Impairment criteria is:

- More than 90 calendar days of arrears on the reporting date for all segments except transactions with financial institutions and issuers of securities;
- More than 7 business days of overdue debts at the reporting date for transactions with financial institutions and issuers of securities;
- The counterparty/issuer was declared bankrupt by the court, or the court introduced bankruptcy proceedings against the Borrower. This criterion applies to all portfolios with the exception of the portfolio of retail borrowers;
- Assignment to the contract of regulatory quality category 5 as of the reporting date;
- Default/forced restructuring due to the financial difficulties of the borrower (applicable except for transactions with financial institutions and securities). Default/forced restructuring is understood as a change in the terms of the contract, recognized as a forced restructuring by the Authorized body of the Bank, which is a result of the borrower's inability to fulfill the obligations stipulated in the contract and is caused by deterioration in the credit quality of the borrower;
- Revocation of the license and introduction of an interim administration (applicable to financial institutions and issuers of securities).

Criteria for recovery and transfer of financial instruments to Stage 1:

- Lack of default criteria described in this section;
- Lack of criteria for a significant increase in credit risk;
- Lack of arrears for three consecutive (including the current reporting month) reporting months.

Incorporation of forward-looking information

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

The impact of macroeconomic events is taken into account at the level of the credit risk component PD. The Bank assesses the impact of macroeconomic information on the corporate and retail portfolio. For a portfolio of securities, for requirements to financial institutions, macro adjustments are used according to the corporate portfolio. An assessment of the impact of macroeconomic information should be made at least annually.

Availability of forward-looking information for future periods.

Since the analysis requires the calculation of forecast values of the default level, only those factors for which there are forecast values published by open official external sources are included in the list.

Adequate frequency of data publication

Since the modeling process requires a sufficient number of observations, then those factors are selected for inclusion in a wide list, the data for which were published more often than once a year.

When analyzing the dependence of the default level on macroeconomic indicators, the list of factors - Real GDP growth, CIP and oil price forecast was used. As a result, real GDP was used as the key driver. The list of indicators can be expanded by adding new factors to it if there are publications on these factors.

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

The economic scenarios used as at December 31, 2025 included the following key indicator for the Republic of Azerbaijan for the years ending December 31, 2026 through 2027.

Key driver	2024	2025	2026	2027
Real GDP growth	4.1%	3.2%	2.6%	3.3%

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 4 years.

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

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to the current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in Note 4(e)(iii).

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

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

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time). If the loan is credit-impaired at the date of origination, then the Bank recognizes such loans as POCI.

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

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

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

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

Measurement of ECL

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

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

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

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

The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is the maximum amounts that may be drawn under the contract at the reporting date, if the overdue days of the loan are less than 30 days as otherwise the card is blocked; and, in credit limits for business customers, if the credit limit is revolving. For financial guarantees, the EAD represents the guarantee exposure when the financial guarantee becomes payable.

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

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

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

For portfolios in respect of which the Bank 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 the measurement of ECL are as follows.

		External benchmarks used	
	Exposure	**PD**	**LGD**
Cash and cash equivalents	106,328	Moody’s default study	S&P recovery studies
Due from banks and other financial institutions	44,764	Moody’s default study	S&P recovery studies
Investment securities	59,035	Moody’s default study	S&P recovery studies

Liquidity risk

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

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

The liquidity management policy requires:

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

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The daily liquidity position is monitored by the Treasury Department and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Risk Management 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 ALCO and implemented by the Treasury Department.

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

(in thousands of AZN, unless otherwise indicated)

The undiscounted maturity analysis for financial liabilities as at December 31, 2025 is as follows:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total gross amount outflow	Total carrying amount
Non-derivative liabilities							
Amounts due to banks and other financial institutions	8,405	29,953	40,835	21,527	95,038	**195,758**	144,557
Amounts to due customers	164,963	75,893	379,623	189,260	-	**809,739**	756,221
Debt securities issued	-	704	2,124	20,536	-	**23,365**	19,824
Subordinated debt	16,818	-	-	-	-	**16,818**	16,762
Lease liabilities	221	442	2,216	5,029	-	**7,908**	6,899
Other financial liabilities	10,163	-	-	-	-	**10,163**	10,163
Total financial liabilities	**200,570**	**106,992**	**424,798**	**236,352**	**95,038**	**1,063,750**	**954,426**
Swap agreements	**-**	**8,750**	**17,473**	**-**	**-**	**26,223**	**26,223**
Credit-related commitments	135,506	-	-	-	-	135,506	

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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Total gross amount outflow	Total carrying amount
Non-derivative liabilities							
Amounts due to banks and other financial institutions	47,397	23,057	23,959	22,185	52,866	169,464	135,657
Amounts to due customers	27,636	165,988	228,606	232,518	-	654,748	595,659
Subordinated debt	63	125	564	16,788	-	17,540	16,762
Lease liabilities	248	447	1,645	4,709	-	7,049	6,117
Other financial liabilities	8,644	-	-	-	-	8,644	8,644
Total financial liabilities	**83,988**	**189,617**	**254,774**	**276,200**	**52,866**	**857,445**	**762,839**
Swap agreements	**-**	**8,625**	**21,094**	**-**	**-**	**29,719**	**29,710**
Credit-related commitments	137,526	-	-	-	-	137,526	

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 Bank does not expect individuals and legal entities withdraw their term deposits before their stated maturity dates.

(in thousands of AZN, unless otherwise indicated)

The table below shows an analysis, by contractual maturities, of the amounts recognized in the statement of financial position as at December 31, 2025:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Overdue	No maturity	Total
FINANCIAL ASSETS								
Cash and cash equivalents	118,304	13,648	-	-	-	-	-	131,952
Amounts due from banks and other financial institutions	68	20,463	2,052	22,181	-	-	-	44,764
Investment securities	4,857	25,446	9,665	17,400	1,667	-	338	59,373
Loans to customers	35,277	69,076	276,376	464,071	50,341	687	-	895,828
Other financial assets	12,333	-	-	1,032	-	-	963	14,328
Total financial assets	**170,839**	**128,633**	**288,093**	**504,684**	**52,008**	**687**	**1,301**	**1,146,245**
FINANCIAL LIABILITIES								
Amounts due to banks and other financial institutions	7,394	28,793	38,049	12,411	57,909	-	-	144,557
Amounts to due customers	159,530	65,888	349,064	181,739	-	-	-	756,221
Debt securities issued	-	-	-	19,824	-	-	-	19,824
Subordinated debt	16,762	-	-	-	-	-	-	16,762
Lease liabilities	171	342	1,842	4,544	-	-	-	6,899
Other financial liabilities	10,163	-	-	-	-	-	-	10,162
Total financial liabilities and commitments	**194,020**	**95,023**	**388,955**	**218,518**	**57,909**	**-**	**-**	**954,426**
Liquidity gap	**(23,181)**	**33,610**	**(100,862)**	**286,166**	**(5,901)**	**687**	**1,301**	**191,819**
Cumulative liquidity gap	**(23,181)**	**10,429**	**(90,434)**	**195,732**	**189,831**	**190,518**	**191,819**	

(in thousands of AZN, unless otherwise indicated)

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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Overdue	No maturity	Total
FINANCIAL ASSETS								
Cash and cash equivalents	117,272	-	-	-	-	-	-	117,272
Amounts due from banks and other financial institutions	177	-	401	20,257	-	-	-	20,835
Investment securities	2,465	5,765	9,529	18,409	1,728	-	368	38,264
Loans to customers	21,473	45,359	167,969	443,749	64,033	6,662	-	749,245
Other financial assets	17,860	-	-	-	-	-	-	17,860
Total financial assets	**159,247**	**51,124**	**177,899**	**482,415**	**65,761**	**6,662**	**368**	**943,476**
FINANCIAL LIABILITIES								
Amounts due to banks and other financial institutions	40,197	21,933	21,513	15,665	36,349	-	-	135,657
Amounts to due customers	25,142	151,008	207,975	211,534	-	-	-	595,659
Subordinated debt	37	-	-	16,725	-	-	-	16,762
Lease liabilities	242	439	1,562	3,874	-	-	-	6,117
Other financial liabilities	8,644	-	-	-	-	-	-	8,644
Total financial liabilities and commitments	**74,262**	**173,380**	**231,050**	**247,798**	**36,349**	**-**	**-**	**762,839**
Liquidity gap	**84,985**	**(122,256)**	**(53,151)**	**234,617**	**29,412**	**6,662**	**368**	**180,637**
Cumulative liquidity gap	**84,985**	**(37,271)**	**(90,422)**	**144,195**	**173,607**	**180,269**	**180,637**	

The key measure used by the Bank for managing liquidity risk is the liquidity ratio stipulated by the CBAR.

The Bank calculates this mandatory liquidity ratio on a daily basis in accordance with the requirement of the CBAR. This ratio is represented by the instant liquidity ratio, which is calculated as the ratio of highly liquid assets to liabilities payable on demand.

The Bank was in compliance with the instant liquidity ratio as at December 31, 2025 (December 31, 2024: was in compliance with the instant liquidity ratio).

Operational risk

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

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost-effectiveness and innovation. In all cases, the Bank policy requires compliance with all applicable legal and regulatory requirements.

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

32. EVENTS AFTER THE REPORTING DATE

As at April 15, 2026, the Bank fully repaid subordinated debt obtained from a related party, "Azpetrol Neft Shirketi" LLC, amounting to USD 9,860 thousand (AZN 16,762 thousand), on January 27, 2026.