CENTRAL BANK
OF THE REPUBLIC OF AZERBAIJAN

CONSOLIDATED FINANCIAL STATEMENTS

Central Bank of the Republic of Azerbaijan

Consolidated Financial Statements
for the year ended 31 December 2025

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Independent Auditors' Report

To the Management Board of the Central Bank of the Republic of Azerbaijan

Opinion

We have audited the consolidated financial statements of the Central Bank of the Republic of Azerbaijan (the "Central Bank") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, the consolidated 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025, and its consolidated financial performance and its consolidated 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the consolidated financial statements in the Republic of 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Money in circulation	
Please refer to the Notes 16 and 31 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
We considered money in circulation as a key audit matter due to the materiality of the balance of AZN 19,563,427 thousand as of 31 December 2025 and the importance of the related business processes for the activities of the Central Bank. In addition, due to the specific nature of money in circulation, determining the completeness and accuracy of this balance depends on controls and processes around the production of banknotes, physical control over banknotes stored in the Central Bank's own vaults and around the destruction of banknotes taken out of circulation. Our focus was on confirming the completeness and accuracy of the balance of money in circulation.	We obtained an understanding, assessed the design and tested the operational effectiveness of selected key controls over the processes relating to money in circulation, including accounting for money in circulation, acceptance of banknotes from the third-party printing company, transfers of banknotes to/from commercial banks, destruction of damaged/old banknotes as well as stock counts of banknotes held by the Central Bank. In order to confirm the completeness and accuracy of money in circulation, our audit procedures included the following: - We assessed the policies and internal regulations of the Central Bank and compared it to the actual accounting process for money in circulation; - We participated in the year end stock count of banknotes held by the Central Bank; - We carried out a reconciliation of the movement in the year of the balance of money in circulation; - We tested the operating effectiveness of controls over the movement of money in circulation. This included controls over receiving newly printed banknotes and minted coins, transfers of money between different divisions of treasury department, transfer of banknotes to and receipt of banknotes from commercial banks, and destruction of old/damaged banknotes and coins; - On a sample basis we tested transfer of banknotes to and receipt of banknotes from commercial banks; - We obtained confirmations from the printing companies to check the number of newly printed banknotes and number of coins delivered per each denomination during the year; - We reviewed the completeness and accuracy of the disclosures regarding money in circulation in the Group's consolidated financial statements;

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2024 were audited by other auditors, who expressed an unmodified opinion on those statements on 6 May 2025.

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

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

In preparing the 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 going concern basis of accounting. In discharging this responsibility, the management considers the provisions of article 14 of the Law of the Republic of Azerbaijan "On the Central Bank of the Republic of Azerbaijan".

The Management Board is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Management Board 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 the Management Board 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 the Management Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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
16 April 2026

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

	Note	31 December 2025	31 December 2024
ASSETS			
Cash and cash equivalents	5	3,957,374	8,588,695
Special Drawing Rights with the IMF	6	1,101,087	1,129,358
Derivative financial instruments	7	403	6,620
Debt securities	8	28,782,795	25,823,947
Loans to banks	9	-	13,761
Loans to non-bank credit organizations	10	-	648
Loans to Deposit Insurance Fund	11	105,956	163,945
Property and equipment	12	658,835	538,037
Intangible assets	13	39,516	38,832
Investment property		36,075	37,785
Other financial assets	14	50,417	47,400
Other assets	15	104,028	130,903
Total assets		**34,836,486**	**36,519,931**
LIABILITIES			
Money in circulation	16	19,563,427	17,449,091
Short-term deposits of resident banks	17	2,765,718	1,268,460
Amounts due to government organisations	18	3,425,070	7,990,124
Amounts due to credit institutions	19	5,167,117	6,265,219
Amounts due to other organisations	20	7,524	3,606
Debt securities in issue	21	365,749	205,912
Liabilities on transactions with the IMF	6	1,240,171	1,175,186
Amounts due to international financial institutions		1,569	1,223
Derivative financial instruments	7	2,770	-
Other financial liabilities	22	121,285	135,756
Other liabilities		15,216	28,319
Total liabilities		**32,675,616**	**34,522,896**
EQUITY			
Charter capital	23	500,000	500,000
Capital reserves	23	500,000	500,000
Reserve for comprehensive income on revaluation of foreign currency position		33,321	-
Revaluation reserve for debt securities at FVOCI		6,005	24,313
Retained earnings		1,121,544	972,722
Total equity		**2,160,870**	**1,997,035**
Total liabilities and equity		**34,836,486**	**36,519,931**

The consolidated financial statements were approved by Management on 16 April 2026 and were signed on its behalf by:

Mr. Taleh Kazimov
Governor

Mr. Anar Mansurov
Executive Director

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

	Note	2025	2024
Interest income calculated using the effective interest method	24	356,027	546,137
Other interest income	24	367,745	171,419
Interest expense	24	(230,517)	(218,806)
Net interest income		**493,255**	**498,750**
Fee and commission income	25	27,855	27,771
Fee and commission expense	26	(9,372)	(9,565)
Gain on recognition of financial liabilities		-	28,789
Gain on modification of financial assets		692	2,101
Net gains from debt securities at fair value through profit or loss		262,713	113,929
Net gains from disposals of securities measured at fair value through other comprehensive income		20,537	139,344
Net (losses)/gains from derivative financial instruments		(31,603)	23,669
Net gains from investments in money market funds at fair value through profit or loss		12,860	14,692
Net gain/(losses) from foreign exchange translation	27	63,417	(59,765)
Credit loss allowance of debt securities at fair value through othe comprehensive income		(554)	(181)
Net gains from trading in currencies		1,521	1,218
Other operating income		14,304	7,286
Credit loss recovery for assets carried at amortised cost	29	12,826	44,696
Administrative and other operating expenses	30	(144,130)	(111,250)
Profit for the year		**724,321**	**721,484**
Other comprehensive income / (loss):			
Items that are or may be reclassified subsequently to profit or loss:			
Debt securities at fair value through other comprehensive	8		
- Net gains arising during the year		2,229	110,680
- Gains less losses reclassified to profit or loss upon disposal		(20,537)	(139,344)
Other comprehensive loss for the year		**(18,308)**	**(28,664)**
Total comprehensive income for the year		**706,013**	**692,820**

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

	Note	**Charter capital**	**Capital reserves**	**Revaluation reserve for debt securities at FVOCI**	**Reserve for comprehensive income on revaluation of foreign currency position**	**Retained earnings**	**Total equity**
Balance at 1 January 2024		**500,000**	**500,000**	**52,977**	**-**	**501,238**	**1,554,215**
Profit for the year		-	-	-	-	721,484	721,484
Other comprehensive income	8						
Revaluation reserve for debt securities at FVOCI:							
- Net change in fair value		-	-	110,680	-	-	110,680
- Net amount reclassified to profit or loss		-	-	(139,344)	-	-	(139,344)
Total other comprehensive income		-	-	(28,664)	-	-	(28,664)
Total comprehensive income for 2024		**-**	**-**	**(28,664)**	**-**	**721,484**	**692,820**
Transfer to the State Budget		-	-	-	-	(250,000)	(250,000)
Balance as at 31 December 2024		**500,000**	**500,000**	**24,313**	**-**	**972,722**	**1,997,035**
Balance at 1 January 2025		**500,000**	**500,000**	**24,313**	**-**	**972,722**	**1,997,035**
Profit for the year		-	-	-	-	724,321	724,321
Reserve for comprehensive income on revaluation of foreign currency position		-	-	-	33,321	(33,321)	-
Other comprehensive income	8						
Revaluation reserve for debt securities at FVOCI:							
- Net change in fair value		-	-	2,229	-	-	2,229
- Net amount reclassified to profit or loss		-	-	(20,537)	-	-	(20,537)
Total other comprehensive income		-	-	(18,308)	-	-	(18,308)
Total comprehensive income for 2025		**-**	**-**	**(18,308)**	**33,321**	**691,000**	**706,013**
Transfer to the State Budget		**-**	**-**	**-**	-	(542,178)	(542,178)
Balance as at 31 December 2025		**500,000**	**500,000**	**6,005**	**33,321**	**1,121,544**	**2,160,870**

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

	Note	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		699,632	711,863
Interest paid		(222,050)	(263,371)
Fee and commission received		27,856	27,771
Fee and commission paid		(9,372)	(9,565)
Net receipts for trading in debt securities at FVTPL		186,352	99,081
Net (payments)/receipts from derivative financial instruments		(22,616)	13,309
Net receipts from trading in foreign currencies		1,521	1,218
Other operating income received		14,300	6,848
Net receipts from investments in money market funds at fair value through profit or loss		12,860	14,692
Administrative and other operating expenses paid		(114,769)	(84,418)
Cash flows from operating activities before changes in operating assets and liabilities		**573,714**	**517,428**
(Increase)/decrease in operating assets			
Debt securities at fair value through profit or loss		(5,930,122)	(8,334,897)
Special Drawing Rights with the IMF		89,410	43,196
Loans to banks		13,774	60,909
Loans to non-bank credit organizations		647	6,940
Loans to Deposit Insurance Fund		67,500	67,500
Other financial assets		1,465	(1,467)
Other assets		21,087	(7,696)
Increase/(decrease) in operating liabilities			
Money in circulation		2,114,336	130,896
Short-term deposits of resident banks		1,496,011	(1,371,951)
Amounts due to government organisations		(4,565,910)	4,231,971
Amounts due to credit institutions		(1,101,408)	(199,889)
Amounts due to other organisations		3,918	(41,730)
Debt securities in issue		158,232	(1,057,686)
Other financial liabilities		4,243	10,512
Other liabilities		(12,265)	1,560
Net cash used in operating activities		**(7,065,368)**	**(5,944,404)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of debt securities at fair value through other comprehensive income	8	(740,065)	(685,385)
Proceeds from sale and redemption of debt securities at fair value through other comprehensive income	8	3,153,209	10,376,387
Acquisition of investments in debt securities carried at amortised cost	8	-	(452,448)
Proceeds from redemption of debt securities carried at amortised cost	8	688,564	135,900
Purchases of property, equipment	12	(147,510)	(196,891)
Purchases of intangible assets	13	(2,122)	(1,755)
Cash flows from investing activities		**2,952,076**	**9,175,808**
CASH FLOWS FROM FINANCING ACTIVITIES			
Transfers to the State Budget	32	(542,178)	(250,000)
Proceeds/(Repayment) of IMF borrowings		112	(170)
Proceeds/(Repayment) of amounts due to international financial institutions		346	(483)
Cash flows used in financing activities		**(541,720)**	**(250,653)**
Net (decrease)/increase in cash and cash equivalents		**(4,655,012)**	**2,980,751**
Effect of exchange rate changes on cash and cash equivalents		23,594	(20,980)
Effect of changes in expected credit losses on cash and cash equivalents		97	(547)
Cash and cash equivalents at the beginning of the year		8,588,695	5,629,471
Cash and cash equivalents at the end of the year	5	**3,957,374**	**8,588,695**

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

1 Background

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) for the year ended 31 December 2025 for the Central Bank of the Republic of Azerbaijan (the Bank) and its subsidiary (together, the Group).

The only subsidiary of the Bank is as follows:

			Ownership %	
Name	**Country of incorporation**	**Principal activities**	**2025**	**2024**
National Depository Center of the Republic of Azerbaijan	The Republic of Azerbaijan	Depository services	100	100

The National Depository Center (the "NDC") was established on 18 September 1997 in accordance with the Regulation "On the National Depository System" approved by the Decree of the President of the Republic of Azerbaijan dated 14 May 1997.

Pursuant to the Presidential Decree dated 3 February 2016 on establishment of the public legal entity 'Financial Markets Supervisory Authority of the Republic of Azerbaijan' ("FIMSA"), the State Securities Committee of the Republic of Azerbaijan (the founder of the National Depository Center) was abolished, and the state property used by the Committee was transferred to FIMSA.

Later, based on the Presidential Decree № 1616 dated 28 November 2019 'On improvement of the management of the system of regulation and supervision in the financial services market', the Financial Market Supervisory Authority was abolished and its powers as defined in the laws of the Republic of Azerbaijan, including its rights and responsibilities in the areas of licensing, regulation and supervision, protection of rights of investors and consumers of financial services, as well as its property were transferred to the Central Bank of the Republic of Azerbaijan.

Principal activity. The Central Bank of the Republic of Azerbaijan (the "Bank") is the central bank of the Republic of Azerbaijan, and is owned exclusively by the State. It acts in accordance with the "Law on the Central Bank of the Republic of Azerbaijan" effective from 10 December 2004 (the "Law").

Article 4 of the Law sets out the goals of the Bank, which are as follows:

- The primary goal of the Bank is to ensure, within its power, the stability of prices;
- Without prejudice to its main goal, the Central Bank shall safeguard financial stability within the powers established by the laws regulating financial markets;
- Profit making is not a primary goal of the Bank.

Article 5 of the Law sets out the functions of the Bank as follows:

- Establish and implement the country's monetary and foreign exchange policy;
- Organize cash circulation, issue banknotes into and withdraw from circulation according to Item II of Article 19 of the Constitution and the present Law;
- Regularly set and announce an official exchange rate of manat against foreign currencies;
- Maintain and manage the gold and foreign currency reserves in its charge;
- Develop monetary, financial markets and payment systems statistics, the balance of payments of the country, international investment balance and external debt (public and non-public) statistics in accordance with international standards and methodologies, summarize and disseminate data, as well as participate in forecasting of the balance of payments of the country;
- Ensure stability and sustainability of financial markets, regulate and supervise financial markets, and maintain macro prudential regulation and supervision;
- Maintain stable, safe and effective operation of payment systems and support their development;
- Take measures for the protection of the rights of consumers and investors in financial markets and conduct financial literacy efforts;
- Provide currency regulation and control according to the Law of the Republic of Azerbaijan on Currency Regulation;
- Supervise deposit insurance activities;
- Discharge other functions stipulated by the present Law and other laws

1 Background (Continued)

In accordance with Article 14.1 of the Law, the Bank cannot be declared bankrupt. Any deficit in capital resulting from the operations of the Central Bank is covered, in accordance with Article 14.2 of the Law, through securities issued by the Government of the Republic of Azerbaijan with a one-year deferral.

Pursuant to the legislation of the Republic of Azerbaijan and the international treaties acceded to by the Republic of Azerbaijan, the Bank represents the Republic of Azerbaijan in relations with the central banks of foreign states, as well as international financial and credit institutions in matters relating to the Bank's responsibilities.

The Central Bank, on the issues arising from its goals and functions, may enter into cooperative agreements with foreign central banks, international financial institutions and the bodies specified in Article 53-5 of the present Law, as well as sign clearing and settlement agreements and other agreements with foreign public and private clearing (processing) agencies on its behalf.

The Bank shall participate in the capital and activities of cooperative international and regional organisations for the purpose of cooperation in monetary and foreign exchange policy.

At 31 December 2025, the Management Board (the "Board") of the Bank was composed of the following members:

Name	Position
Mr. Taleh Kazimov	Governor
Mr. Aliyar Mammadyarov	First Deputy Governor
Mr. Ali Ahmadov	Deputy Governor
Mr. Toghrul Aliyev	Deputy Governor
Mrs. Gular Pashayeva	Deputy Governor
Mr. Vusal Xalilov	Deputy Governor

The responsibilities of the Board and Governor are presented in Article 22 of the Law.

Registered address and place of business. The Bank's main office is located at the following address: 90 Rashid Behbudov Street, Baku, AZ1014, Azerbaijan. The Bank had three regional branches in the Republic of Azerbaijan (2024: six).

Functional and presentation currency. The functional currency of each of the Group's entities is Azerbaijani Manats ("AZN") as being the national currency of the Republic of Azerbaijan. These consolidated financial statements are presented in thousands of AZN, rounded to nearest thousand, unless otherwise stated.

Operating Environment of the Group

The Central Bank's operations in 2025 were aimed at ensuring macroeconomic stability and the resilience of the financial system in the country. The monetary policy implemented during the reporting year was aimed at maintaining price stability.

During the year, the bank's operating environment was characterised by growing uncertainties in the global economic environment. The continuation of global geopolitical tensions, the strengthening of economic fragmentation trends, and instability in the global trade environment have kept uncertainties surrounding commodity and financial markets at a high level. During the reporting year, global inflation exhibited different dynamics across countries but, overall, was slightly lower than expected. In most countries, the decline in inflation was mainly due to a fall in energy costs. A decrease in the rate of inflation was also observed among Azerbaijan's trading partners. Technological development and the flexibility of the private sector have mitigated the pressures created by trade policy, safeguarding the sustainable growth of the global economy.

The domestic economic environment is characterised by continued economic growth and inflation remaining within the announced target.

Throughout the year, economic growth in the country continued, with the non-oil and gas sector being the main driving force. In 2025, GDP grew by 1.4% in real terms, including by 2.7% in the non-oil and gas sector as published by State Statistical Committee of the Republic of Azerbaijan. Economic growth in the non-oil and gas sector was supported by both domestic and external demand. Over the year, labour market indicators improved, with an increase recorded in the economically active population and the number of salaried employees.

1 Background (Continued)

By the end of 2025, annual inflation in Azerbaijan remained within the target (4±2%) at 5.2%. Overall, food prices were the main source of overall inflation over the past year. Annual price growth was 6.4% for food products, alcoholic beverages and tobacco products, 2.5% for non-food products, and 5.7% for services. Annual core inflation stood at 4.8%, indicating that the sticky component of inflation is closer to the target.

Stability in the foreign exchange market has continued to play an important role in ensuring price stability. External sector indicators, which play a crucial role in shaping the balance in the foreign exchange market, have remained favourable for Azerbaijan. Over the year, the manat's exchange rate against foreign currencies was formed in line with the supply and demand in the foreign exchange market.

Monetary policy has also played an important role in keeping inflation within the target range through monetary conditions. During the reporting period, monetary policy instruments were applied taking into account changes in the liquidity position of the banking system and developments in financial markets. Efforts were continued to enhance the operational framework of monetary policy to increase its capacity to influence inflation and strengthen the transmission of the interest rate channel. Short-term interest rates in the money market formed within the interest rate corridor throughout the year. The strengthening of the monetary policy transmission mechanism, particularly reforms aimed at the development of money markets, also contributed to the country's international credit rating being upgraded in 2025.

In 2025, the main priorities of the Central Bank's financial stability policy were to maintain trust in the financial and banking system, minimise risks, improve the governance system in the financial sector, and strengthen the sector's resilience to potential shocks. The policy pursued in this area has enabled the financial sector to operate and develop stably.

During the reporting year, work continued on increasing the real sector's access to financial resources and on deepening the financial sector as a whole. The growth of the business lending portfolio and the dynamics observed in the corporate securities market have expanded the financing opportunities for economic growth. With the expansion of non-cash payments, the sector's resource base has grown, and work has continued on increasing the depth of the financial sector.

The Central Bank maintained its focus on the effective communication of its decisions during the reporting period. Press releases on policy decisions were published with relevant analytical commentary, regular press conferences were held, posters were released, and the monetary policy review was published quarterly for the public. The Central Bank's activities were consistently and systematically covered through its official website and social media channels. Regular meetings with representatives of the financial sector, as well as with independent economic experts, were maintained.

2 Basis of Preparation

Basis of measurement

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards under historical cost convention, except for the initial recognition of financial instruments at fair value, and by the revaluation of financial instruments subsequently measured at fair value through profit or loss (“FVTPL”) and at fair value through other comprehensive income (“FVOCI”). These consolidated financial statements have been prepared on a going concern basis.

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

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. Gains and losses resulting from the translation of foreign currency transactions are recognized in profit or loss for the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

2 Basis of Preparation (Continued)

As of 31 December 2025, exchange rates for translation of foreign currency balances were as follows: US Dollar 1 = AZN 1.7000, Euro 1= AZN 2.0022, Pound Sterling 1 = AZN 2.2970 and Special Drawing Right 1 = AZN 2.3291 (31 December 2024: US Dollar 1 = AZN 1.7000, Euro 1= AZN 1.7724, Pound Sterling 1 = AZN 2.1382 and Special Drawing Right 1 = AZN 2.2170).

3 Estimates and Judgments

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

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

At times, the Group issues the loans and attracts deposits at non market interest rates to ensure the sustainability and development of the financial and banking system. Such financial instruments are recorded at fair value on initial recognition using market interest rates. The Group considers the special market segment for some financial instruments where there are no other available sources of similar financing and no comparable financial instruments. Please refer to the Notes 8, 9, 11, and 17 for details of estimates in these areas.

Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

ECL measurement

Measurement of ECLs is a significant estimate that involves determination of relevant methodology, models and data inputs. Details of ECL measurement are disclosed in Note 31. The following components have a major impact on credit loss allowance: definition of default, significant increase in credit risk ("SICR"), probability of default ("PD"), exposure at default ("EAD") and loss given default ("LGD"). The Group regularly reviews the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. Impact of forward-looking assumptions correlated with ECL level and their assigned weight is not significant.

The most significant forecast assumptions and additional information relevant to the ECL level are disclosed in Note 31.

Significant increase in credit risk ("SICR")

In order to determine whether there has been a significant increase in credit risk, the Group 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 assessment considers relative increase in credit risk, all reasonable forward-looking information available without undue cost and effort, which includes a range of factors of particular borrowers. See Note 31 for SICR criteria.

Business model assessment

The business model drives the classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment.

3 Estimates and Judgements (Continued)

When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, if they are infrequent or insignificant in value, both individually and in aggregate. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Group's control, is not recurring and could not have been anticipated by the Group, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

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

For the purpose of classification of financial assets the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). The principal is the fair value of the financial asset at initial recognition, which may change over the life of a financial instrument. The interest is the compensation for the time value of money, credit risk and other risks associated with the outstanding principal, as well as the profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group 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 Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group'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.
- inverse floater condition

All the instruments that are included in "hold to collect" and "hold to collect and sell" business models passed SPPI tests.

Environmental, Social and Governance (ESG) matters

The management has taken note of global awareness and concerns about the potential impact of climate change. Currently, this matter has had no significant impact on the consolidated financial statements, and the future effects on the Group's activities and business plans remain uncertain. Management continues to monitor developments in this area and will respond as necessary to ensure the Group's viability and will adopt all government guidelines if and when these are issued in the market in which the Group operates.

4 Adoption of New or Revised Standards and Interpretations

A number of new standards and amendments to the standards are effective from 1 January 2025 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these financial statements.

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

(a) Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued Amendments to the Classification and Measurement of Financial Instruments, which amended IFRS 9 and IFRS 7.

The requirements will be effective for annual reporting periods beginning on or after 1 January 2026, with early application permitted, and are related to:

- recognition and derecognition, including accounting for settlement of financial liabilities using an electronic payments system; and
- assessing contractual cash flow characteristics of financial assets, including those with sustainability-linked features.

The Group is currently assessing the impact of new standards and interpretations on its consolidated financial statements.

(b) 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 1 January 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.

The Group is currently assessing the impact of new standards and interpretations on its consolidated financial statements.

5 Cash and Cash Equivalents

Material accounting policy

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 consist of cash on hand in foreign currency and unrestricted balances on correspondent accounts including overnight deposits and deposits with a maturity of less than three months from origination as well as investments on money market funds. Cash and cash equivalents other than investments on money market funds are carried at amortized cost. The investments on money market funds are required to be measured at FVTPL in accordance with IFRS 9 because the units give rise to cash flows that are not solely payments of principal and interest. The Group invests in money market fund instruments with maturities less than 90 days, highly liquid and high rated instruments. These instruments are readily convertible into cash and have a determinable market value which means that at the time of the initial investment, the Group is satisfied that the risk of changes in fair value is insignificant and the amount of cash to receive on redemption is known.

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

5 Cash and Cash Equivalents (Continued)

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2025 and 2024.

	31 December 2025	31 December 2024
Cash on hand	611,913	5,212,611
Nostro accounts with non-resident banks (rated excellent)	2,500,881	3,037,408
Cash equivalents:		
Short-term deposits with non-resident banks (rated excellent)	550,754	57,807
Investments in money market funds (rated excellent)	294,276	281,416
Total cash equivalents	**845,030**	**339,223**
Less: Credit Loss Allowance	(450)	(547)
Total cash and cash equivalents	**3,957,374**	**8,588,695**

As at 31 December 2025, the Group has 2 counterparty banks (2024: 2 banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2025 is AZN 2,761,284 thousand (2024: AZN 3,003,982 thousand). For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1.

Refer to Note 31 for the description of the Group’s credit risk grading system.

6 Balances with the International Monetary Fund

Material accounting policy

Based on the provision of Article 9 of the Law of the Republic of Azerbaijan on the Central Bank of the Republic of Azerbaijan, the Bank acts as an intermediary of the Government of the Republic of Azerbaijan in transactions related to the membership of the Republic of Azerbaijan in international financial organisations (e.g. IMF, World Bank), including payment of membership fees to such organisations.

Membership fees payable to IMF are denominated in Special Drawing Rights (“SDR”) and are revalued in AZN at the rate of exchange set by the IMF at year-end. Membership quota and securities issued by the Ministry of Finance of the Republic of Azerbaijan in respect of IMF quota are not presented in the statement of financial position as they do not represent the assets and liabilities of the Group, but are disclosed in the consolidated financial statements.

General and special allocations received from the IMF to boost the liquidity of member countries are taken up by the Group as an asset under SDR holdings with the IMF and on the other hand, as a liability under on transactions with the IMF.

	31 December 2025	31 December 2024
ASSETS		
Special Drawing Rights (SDR) holdings	1,096,158	1,129,358
Accrued interest income	4,929	-
Total assets with IMF	**1,101,087**	**1,129,358**
LIABILITIES		
Current accounts	2,455	2,386
SDR allocations	1,232,101	1,172,800
Accrued interest expenses	5,615	-
Total liabilities with IMF	**1,240,171**	**1,175,186**

SDR holdings

SDR holdings represent the current account with the IMF used for borrowings and settlements with the IMF. Interest accrued in respect of SDR holdings is calculated using the rates set by the IMF on weekly basis in accordance with short-term market rates in major money markets. SDR holdings with the IMF are classified as Stage 1.

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

6 Balances with the International Monetary Fund (Continued)

Current accounts

The Group maintains two separate accounts with the IMF for special purposes, account No. 1 and No. 2. Account No. 1 is used for paying commissions for transactions with the IMF, whereas account No.2 is used for covering expenses of IMF representatives during their visit to member countries.

SDR allocation

SDR allocation is an unconditional distribution of SDRs to member countries by the IMF. A general SDR allocation became effective since 28 August 2009. The allocation is designed to provide liquidity to the global economic system by supplementing the IMF member countries' foreign exchange reserves. General SDR allocation is determined proportionate to existing IMF quotas for each member country.

Additionally, on 10 August 2009, the Fourth Amendment to the IMF Articles of Agreement providing for a special one-time SDR allocation came into force to boost global liquidity.

According to the Amendment, the special allocation was made to IMF members, including the Republic of Azerbaijan on 9 September 2009 in amount of SDR 34.3 million (AZN 79,888 thousand) resulting total SDR allocation to be SDR 119.3 million (AZN 272,862 thousand) for Azerbaijan.

To support the global economy, especially the economies of countries affected by the pandemic, the IMF has distributed the next general SDR to member countries in 2021. The general SDR allocation was made to the member countries in proportion to their existing quotas in the IMF and according to the current quota of Azerbaijan, an additional SDR 375.4 million (AZN 858,164 thousand) was allocated.

Members and prescribed holders may use their SDR holdings to conduct transactions with the IMF. The Group treats the allocation as a liability in foreign currency.

IMF Quota and securities held in custody in respect of IMF Quota

The IMF Quota, in the amount of SDR 391.7 million (AZN 912,308 thousand and AZN 868,399 thousand as at 31 December 2025 and 2024 respectively) has remained unchanged since 25 February 2016 and represents the membership subscription of the Republic of Azerbaijan with the IMF. Securities were issued by the Government of the Republic of Azerbaijan to guarantee these amounts. These securities are held by the Group on behalf of IMF as the beneficial owner.

7 Derivative Financial Instruments

The fair value of derivative financial instruments as at 31 December 2025 and 2024 are as follows:

	Notional amount	31 December 2025 Fair value		Notional amount	31 December 2024 Fair value	
		Assets	**Liabilities**		**Assets**	**Liabilities**
Foreign exchange contracts	412,635	180	2,297	702,589	6,390	-
Futures contracts	64,333	223	-	65,233	136	-
SWAP contracts	96,085	-	473	20,400	94	-
Total derivative financial instruments	**573,053**	**403**	**2,770**	**788,222**	**6,620**	**-**

Foreign currency contracts

The table below summarizes, by major currencies, the contractual amounts of forward (including forward made on the basis of mutual settlement) exchange contracts outstanding, with details of the weighted average contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date.

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

7 Derivative Financial Instruments (Continued)

	Notional		Weighted average contractual exchange rates	
	31 December 2025	31 December 2024	31 December 2025	31 December 2024
Buy USD sell EUR				
Less than 3 months	2,900	365,318	0.85	1.0360
Sell USD buy EUR				
Less than 3 months	235,949	136,674	1.18	0.9657
Buy USD sell GBP				
Less than 3 months	10,003	99,164	0.74	1.2523
Sell USD buy GBP				
Less than 3 months	72,360	34,418	1.35	0.7985
Buy USD sell CAD				
Less than 3 months	-	17,555	-	0.6956
Sell USD buy CAD				
Less than 3 months	14,985	5,818	0.73	1.4382
Buy USD sell other currencies				
Less than 3 months	41,472	35,167	41.78	0.5349
Sell USD buy other currencies				
Less than 3 months	34,388	8,475	0.54	26.4618
Buy EUR sell other currencies				
Less than 3 months	578	-	6.31	-

8 Debt Securities

Material accounting policy

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the Group becomes a party to the contractual provisions of the instrument.

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

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. A credit loss allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI.

The Group measures, on a forward-looking basis, the ECL for financial instruments measured at AC and FVOCI and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all information about past events, current conditions and forecasts of future conditions before the reporting date.

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

8 Debt Securities (Continued)

Refer to Note 31 for the description of how ECL is calculated.

	31 December 2025	**31 December 2024**
Debt securities mandatorily measured at FVTPL	15,806,429	9,743,249
Debt securities at FVOCI	2,432,132	4,852,051
Debt securities at AC	10,544,234	11,228,647
Total debt securities	**28,782,795**	**25,823,947**

The table below discloses debt securities at 31 December 2025 and 2024 by measurement categories and classes:

31 December 2025	**Debt securities mandatorily measured at FVTPL**	**Debt securities at FVOCI**	**Debt securities at AC**	**Total**
Agency	3,500,566	173,317	86,853	3,760,736
Supranational	1,167,765	76,807	260,373	1,504,945
Treasury	9,310,342	34,500	1,457,701	10,802,543
Local Authority	858,360	51,566	-	909,926
Corporate	254,431	-	-	254,431
Sovereign	108,139	-	-	108,139
US Agency MBS	587,923	-	-	587,923
Covered	18,903	-	-	18,903
Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan	-	2,095,942	-	2,095,942
JSCO Agrarkredit	-	-	8,736,403	8,736,403
Ministry of Finance of the Republic of Azerbaijan	-	-	2,904	2,904
Total debt securities	**15,806,429**	**2,432,132**	**10,544,234**	**28,782,795**

31 December 2024	**Debt securities mandatorily measured at FVTPL**	**Debt securities at FVOCI**	**Debt securities at AC**	**Total**
Agency	2,442,921	770,856	86,888	3,300,665
Supranational	439,881	444,560	260,883	1,145,324
Treasury	4,940,751	2,011,073	1,809,753	8,761,577
Local Authority	403,889	60,538	-	464,427
Corporate	928,819	-	-	928,819
Sovereign	38,184	51,847	-	90,031
US Agency MBS	520,614	-	-	520,614
Covered	28,190	-	-	28,190
Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan	-	1,513,177	-	1,513,177
JSCO Agrarkredit	-	-	8,918,835	8,918,835
Ministry of Finance of the Republic of Azerbaijan	-	-	152,288	152,288
Total debt securities	**9,743,249**	**4,852,051**	**11,228,647**	**25,823,947**

Agency. These bonds are represented by investments in debt securities issued by financial agencies of Europe, Asia, Australia and America. Agency bonds were held in the portfolio managed both directly by the Bank as well as the external managers. As at 31 December 2025 these securities bear fixed interest ranging from 0.0% per annum to 6.25% per annum (2024: 0.0% per annum to 6.25% per annum) with 3.31% annual-average interest rate (2024: 2.87%).

Credit risk grade of the debt securities are excellent and good and credit rating ranged from Baa2 to Aaa based on Moody’s ratings or equivalents of Standard and Poor’s and/or Fitch ratings.

Supranational. These securities are represented by investments in debt securities issued by international organizations of Europe, Asia, and America. The debt securities were held in the portfolio managed both directly by the Bank as well as the external managers. As at 31 December 2025 these securities bear fixed interest ranging from 0.0% per annum to 4.91% per annum (2023: 0.0% per annum to 5.13% per annum) with 2.96% annual-average interest rate (2024: 2.92%).

8 Debt Securities (Continued)

Credit risk grade of the debt securities are excellent and credit rating ranged from Aa3 to Aaa based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings.

Treasury. The treasury securities are represented by investments in debt securities issued by treasuries of various developed countries. As at 31 December 2025, 95% of the treasury securities are US Treasury Bills (2024: 89%). The debt securities were held in the portfolio managed both directly by the Bank as well as the external managers. As at 31 December 2025 these securities bear fixed interest ranging from 0.0% per annum to 5.75% per annum (2023: 0.0% per annum to 5.75% per annum) with 2.80% annual-average interest rate (2024: 2.67%).

Credit risk grade of the debt securities are excellent and good and credit rating ranged from Baa3 to Aaa based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings.

Local Authority. These securities are represented by investments in debt securities issued by local authorities of Germany, New Zealand, Canada, Sweden, Japan, and Netherlands. The debt securities were held in the portfolio managed both directly by the Bank as well as the external managers. As at 31 December 2025 these securities bear fixed interest ranging from 0.0% per annum to 5.13% per annum (2024: 0.0% per annum to 5.13% per annum) with 3.49% annual-average interest rate (2024: 3.21%).

Credit risk grade of the debt securities are excellent, and credit rating ranged from A3 to Aaa based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings.

Corporate. These securities are represented by investments in debt securities issued by corporations of various countries. The debt securities were held in the portfolio managed both directly by the Bank as well as the external managers. As at 31 December 2025 these securities bear fixed interest which ranges from 0.0% per annum to 6.56% per annum (2024: 0.0% per annum to 7.00% per annum) with 4.25% annual-average interest rate (2024: 4.10%).

Credit risk grade of the debt securities are excellent and good, and credit rating ranged from Baa3 to Aaa based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings.

Sovereign. These securities are represented by investments in debt securities issued by Bank of England, Finland and Saudi Arabia. The debt securities were held in the portfolio managed both directly by the Bank as well as the external managers. As at 31 December 2025 these securities bear fixed interest ranging from 0.0% per annum to 6.0% per annum (2024: 0.0% per annum to 5.13% per annum) with 4.22% annual-average interest rate (2024: 3.78%).

Credit risk grade of the debt securities are excellent and credit rating ranged from A1 to Aa3 based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings.

US Agency MBS. These mortgage-backed securities are represented by investments in debt securities issued by The Federal National Mortgage Association (FNMA), The Government National Mortgage Association (GNMA) and The Federal Home Loan Mortgage Corporation (FHLMC). The debt securities were held in the portfolio managed by the external managers. As at 31 December 2025 these securities bear fixed interest which ranges from 1.50% per annum to 6.50% per annum (2024: 1.50% per annum to 6.50% per annum) with 4.24% annual-average interest rate (2024: 3.95%).

Credit risk grade of the debt securities are excellent and credit rating of Aaa based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings.

Covered. These collateralised securities are represented by investments in debt securities issued by various financial institutions. The debt securities were held in the portfolio managed directly by the external managers. As at 31 December 2025 these securities bear fixed interest which ranges from 2.73% per annum to 4.78% per annum (2024: 0.39% per annum to 5.73% per annum) with 3.75% annual-average interest rate (2023: 4.08%).

Credit risk grade of the debt securities are excellent and credit rating of Aaa based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings.

Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan. These local securities are represented by investments in debt securities issued by Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan. The debt securities were held in the portfolio managed directly by the Group. As at 31 December 2025 these securities bear fixed interest ranging from 3.00% per annum to 3.25% per annum (2024: 3.00% per annum to 3.25% per annum) with 3.07% annual-average interest rate (2024: 3.06%).

8 Debt Securities (Continued)

Credit risk grade of the debt securities are good and credit rating is Baa3 based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings.

JSCO Agrarkredit. Included in Debt Securities at AC were securities of Joint-Stock Credit Organisation Agrarkredit (Agrarkredit JSCO) purchased by the Group during 2015 with the nominal amount of AZN 2,500,000 thousand and, additionally, during 2016 AZN 7,500,000 thousand, bearing interest rate of 0.15% and maturing in 2045 (in total AZN 10,000,000 thousand). In 2017 Agrarkredit JSCO repurchased the securities in the amount of AZN 517,896 thousand from the Group. These securities were issued in a special market segment in which there were no other available sources of similar financing and no comparable financial instruments. The Central Bank of Azerbaijan plays a unique role in providing finance to banks and other financial institutions which aims for stability of the overall monetary system as part of its macro-economic policy. Therefore, 0.15% was considered as market interest rate in this segment.

As at 31 December 2025, the gross carrying amount of the Agrarkredit securities in the portfolio of the Group was AZN 8,736,403 thousand. Repayment of these securities is guaranteed by the Government of Azerbaijan. These securities were purchased based on Decrees of the President of Azerbaijan Republic № 570, dated 15 July 2015 on "Actions for improvement of International Bank of Azerbaijan OJSC's condition to prepare for the privatization of shares owned by government" and № 575 dated 07 August 2015 on "Approval of issue, volume, maturity and payment conditions of securities with government guarantee issued by Agrarkredit JSCO", respectively. Refer to Note 35 for fair value disclosures.

According to the Decree of President of Azerbaijan Republic dated 5 October 2023, the payment terms should be changed and confirmed among Ministry of Finance (MoF), Agrarkredit and CBAR. On 6 October 2023, a tri-party agreement was signed by Agrarkredit (bond issuer), MoF (guarantor) and CBAR (bondholder) in order to change payment terms.

The management expects that the change in the payment schedule is a business restructuring and the credit risk of these debt instruments has not significantly increased since their origination.

Ministry of Finance of the Republic of Azerbaijan. In 2023, promissory note in the amount of AZN 148,804 thousand was issued by Ministry of Finance of the Republic of Azerbaijan with 0% interest, which was subsequently repaid in 2025. In addition, AZN 2,792 thousand of bonds having fixed interest rate ranging from 4.85% per annum to 9% per annum (2024: from 4.85% per annum to 9%) were outstanding as at 31 December 2025.

Credit risk grade of the debt securities are good and credit rating is Baa3 based on Moody's ratings or equivalents of Standard and Poor's and/or Fitch ratings.

Financial instruments are classified into the following categories:

(a) Debt securities at FVTPL

Debt securities classified as at FVTPL by the Group represent securities held for trading. Debt securities at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents the Group's maximum exposure to credit risk. Debt securities at FVTPL have excellent and good credit risk grades.

(b) Debt securities at FVOCI

The table below contains an analysis of the credit risk exposure of debt securities measured at FVOCI at 31 December 2025 and 31 December 2024, for which an ECL allowance is recognised, based on credit risk grades. Refer to Note 31 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at FVOCI:

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

8 Debt Securities (Continued)

	2025		2024	
	Stage 1	**Total**	**Stage 1**	**Total**
Agency				
- Excellent	171,348	171,348	763,841	763,841
Total AC gross carrying amount	171,348	171,348	763,841	763,841
Less credit loss allowance	(33)	(33)	(160)	(160)
Add fair value adjustment from AC to FV	2,002	2,002	7,175	7,175
Carrying value (fair value)	173,317	173,317	770,856	770,856
Supranational				
- Excellent	76,260	76,260	446,083	446,083
Total AC gross carrying amount	76,260	76,260	446,083	446,083
Less credit loss allowance	(14)	(14)	(81)	(81)
Add/(less) fair value adjustment from AC to FV	561	561	(1,442)	(1,442)
Carrying value (fair value)	76,807	76,807	444,560	444,560
Treasury				
- Excellent	34,468	34,468	1,994,932	1,994,932
Total AC gross carrying amount	34,468	34,468	1,994,932	1,994,932
Less credit loss allowance	(6)	(6)	(370)	(370)
Add fair value adjustment from AC to FV	38	38	16,511	16,511
Carrying value (fair value)	34,500	34,500	2,011,073	2,011,073
Local Authority				
- Excellent	51,502	51,502	60,599	60,599
Total AC gross carrying amount	51,502	51,502	60,599	60,599
Less credit loss allowance	(10)	(10)	(11)	(11)
Add(Less) fair value adjustment from AC to FV	74	74	(50)	(50)
Carrying value (fair value)	51,566	51,566	60,538	60,538

	2025		2024	
	Stage 1	**Total**	**Stage 1**	**Total**
Sovereign				
- Excellent	-	-	52,343	52,343
Total AC gross carrying amount	-	-	52,343	52,343
Less credit loss allowance	-	-	(10)	(10)
Less fair value adjustment from AC to FV	-	-	(486)	(486)
Carrying value (fair value)	-	-	51,847	51,847
Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan				
- Good	2,095,136	2,095,136	1,511,974	1,511,974
Total AC gross carrying amount	2,095,136	2,095,136	1,511,974	1,511,974
Less credit loss allowance	(2,524)	(2,524)	(1,403)	(1,403)
Add fair value adjustment from AC to FV	3,330	3,330	2,606	2,606
Carrying value (fair value)	2,095,942	2,095,942	1,513,177	1,513,177

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

8 Debt Securities (Continued)

Movements in the credit loss allowance and in the gross carrying amount of Agency bonds at FVOCI were as follows:

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Agency				
At 1 January 2025	**160**	**160**	**763,841**	**763,841**
Movements with impact on credit loss allowance charge for the period:				
Derecognised during the period	(127)	(127)	(592,493)	(592,493)
Changes in accrued interest	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(127)**	**(127)**	**(592,943)**	**(592,943)**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	-	-
At 31 December 2025	**33**	**33**	**171,348**	**171,348**

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Agency				
At 1 January 2024	**233**	**233**	**2,712,029**	**2,712,029**
Movements with impact on credit loss allowance charge for the period:				
Derecognised during the period	(73)	(73)	(1,927,010)	(1,927,010)
Changes in accrued interest	-	-	(17,159)	(17,159)
Total movements with impact on credit loss allowance charge for the period	**(73)**	**(73)**	**(1,944,169)**	**(1,944,169)**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	(4,019)	(4,019)
At 31 December 2024	**160**	**160**	**763,841**	**763,841**

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

8 Debt Securities (Continued)

Movements in the credit loss allowance and in the gross carrying amount of Supranational bonds at FVOCI were as follows:

	Credit loss allowance		**Gross carrying amount**	
	Stage 1	**Total**	**Stage 1**	**Total**
Supranational				
At 1 January 2025	**81**	**81**	**446,083**	**446,083**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	(67)	(67)	(369,823)	(369,823)
Other changes	-	-	-	-
Changes in accrued interest	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(67)**	**(67)**	**(3 69,823)**	**(369,823)**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	-	-
At 31 December 2025	**14**	**14**	**76,260**	**76,260**

	Credit loss allowance		**Gross carrying amount**	
	Stage 1	**Total**	**Stage 1**	**Total**
Supranational				
At 1 January 2024	**55**	**55**	**1,032,521**	**1,032,521**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	-	-	(581,364)	(581,364)
Other Changes	26	26	-	-
Changes in accrued interest			(3,708)	(3,708)
Total movements with impact on credit loss allowance charge for the period	**26**	**26**	**(585,072)**	**(585,072)**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	(1,366)	(1,366)
At 31 December 2024	**81**	**81**	**446,083**	**446,083**

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

8 Debt Securities (Continued)

Movements in the credit loss allowance and in the gross carrying amount of Treasury bonds at FVOCI were as follows:

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Treasury				
At 1 January 2025	**370**	**370**	**1,994,932**	**1,994,932**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	(364)	(364)		
Changes in accrued interest	-	-	(300)	(300)
Total movements with impact on credit loss allowance charge for the period	**(364)**	**(364)**	**(1,960,465)**	**(1,960,465)**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	-	-
At 31 December 2025	**6**	**6**	**34,468**	**34,468**

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Treasury				
At 1 January 2024	**884**	**884**	**9,397,410**	**9,397,410**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	(514)	(514)	(7,418,944)	(7,418,944)
Changes in accrued interest	-	-	(50,931)	(50,931)
Total movements with impact on credit loss allowance charge for the period	**(514)**	**(514)**	**(7,469,875)**	**(7,469,875)**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	67,397	67,397
At 31 December 2024	**370**	**370**	**1,994,932**	**1,994,932**

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

8 Debt Securities (Continued)

Movements in the credit loss allowance and in the gross carrying amount of Local Authority bonds at FVOCI were as follows:

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Local Authority				
At 1 January 2025	11	11	60,599	60,599
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	(1)	(1)	(9,097)	(9,097)
Changes in accrued interest	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(1)**	**(1)**	**(9,097)**	**(9,097)**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	-	-
At 31 December 2025	**10**	**10**	**51,502**	**51,502**

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Local Authority				
At 1 January 2024	**15**	**15**	**383,385**	**383,385**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	
Derecognised during the period	(4)	(4)	(310,035)	(310,035)
Changes in accrued interest	-	-	(3,242)	(3,242)
Total movements with impact on credit loss allowance charge for the period	**(4)**	**(4)**	**(313,277)**	**(313,277)**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	(9,509)	(9,509)
At 31 December 2024	**11**	**11**	**60,599**	**60,599**

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

8 Debt Securities (Continued)

Movements in the credit loss allowance and in the gross carrying amount of Sovereign bonds at FVOCI were as follows:

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Sovereign				
At 1 January 2025	10	10	52,343	52,343
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	(10)	(10)	(52,343)	(52,343)
Changes in accrued interest	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(10)**	**(10)**	**(52,343)**	**(52,343)**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	-	-
At 31 December 2025	-	-	-	-

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Sovereign				
At 1 January 2024	**11**	**11**	**58,006**	**58,006**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	(1)	(1)	(14,617)	(14,617)
Changes in accrued interest	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(1)**	**(1)**	**(14,617)**	**(14,617)**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	8,954	8,954
At 31 December 2024	**10**	**10**	**52,343**	**52,343**

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

8 Debt Securities (Continued)

Movements in the credit loss allowance and in the gross carrying amount of Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan bonds at FVOCI were as follows:

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan				
At 1 January 2025	**1,403**	**1,403**	**1,511,974**	**1,511,974**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	769	769	740,065	740,065
Derecognised during the period	-	-	(214,293)	(214,293)
Other Changes	352	352	-	-
Changes in accrued interest	-	-	57,390	57,390
Total movements with impact on credit loss allowance charge for the period	**1,121**	**1,121**	**583,162**	**583,162**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	-	-
At 31 December 2025	**2,524**	**2,524**	**2,095,136**	**2,095,136**

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan				
At 1 January 2024	**646**	**646**	**966,635**	**966,635**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	509	509	658,385	658,385
Derecognised during the period	-	-	(151,652)	(151,652)
Other changes	248	248	-	-
Changes in accrued interest	-	-	38,606	38,606
Total movements with impact on credit loss allowance charge for the period	**757**	**757**	**545,339**	**545,339**
Movements without impact on credit loss allowance charge for the period:				
FX and other movements	-	-	-	-
At 31 December 2024	**1,403**	**1,403**	**1,511,974**	**1,511,974**

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

8 Debt Securities (Continued)

(c) Debt securities at AC

The following table contains an analysis of debt securities at AC by credit quality at 31 December 2025 and 31 December 2024 based on credit risk grades and discloses the balances for the purpose of ECL measurement. Refer to Note 31 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at AC. The carrying amount of debt securities at AC at 31 December 2025 and 31 December 2024 below also represents the Group's maximum exposure to credit risk on these assets:

	2025		2024	
	Stage 1	**Total**	**Stage 1**	**Total**
Agency				
- Excellent	86,870	86,870	86,910	86,910
Total AC gross carrying amount	86,870	86,870	86,910	86,910
Less credit loss allowance	(17)	(17)	(22)	(22)
Carrying value	86,853	86,853	86,888	86,888
Supranational				
- Excellent	260,422	260,422	260,931	260,931
Total AC gross carrying amount	260,422	260,422	260,931	260,931
Less credit loss allowance	(49)	(49)	(48)	(48)
Carrying value	260,373	260,373	260,883	260,883
Treasury				
- Excellent	1,457,973	1,457,973	1,810,087	1,810,087
Total AC gross carrying amount	1,457,973	1,457,973	1,810,087	1,810,087
Less credit loss allowance	(272)	(272)	(334)	(334)
Carrying value	1,457,701	1,457,701	1,809,753	1,809,753
JSCO Agrarkredit				
- Good	8,746,943	8,746,943	8,927,110	8,927,110
Total AC gross carrying amount	8,746,943	8,746,943	8,927,110	8,927,110
Less credit loss allowance	(10,540)	(10,540)	(8,275)	(8,275)
Carrying value	8,736,403	8,736,403	8,918,835	8,918,835
Ministry of Finance of the Republic of Azerbaijan				
- Good	2,904	2,904	152,426	152,426
Total AC gross carrying amount	2,904	2,904	152,426	152,426
Less credit loss allowance	-	-	(138)	(138)
Carrying value	2,904	2,904	152,288	152,288

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

8 Debt Securities (Continued)

Movements in the credit loss allowance and in the gross carrying amount of Agency bonds at AC were as follows:

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Agency				
At 1 January 2025	**22**	**22**	**86,910**	**86,910**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	-	-	-	-
Other changes	(5)	(5)		
Changes in accrued interest	-	-	(40)	(40)
Total movements with impact on credit loss allowance charge for the period	**(5)**	**(5)**	**(40)**	**(40)**
At 31 December 2025	**17**	**17**	**86,870**	**86,870**

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Agency				
At 1 January 2024	**29**	**29**	**86,938**	**86,938**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	(7)	(7)	-	-
Changes in accrued interest	-	-	(28)	(28)
Total movements with impact on credit loss allowance charge for the period	**(7)**	**(7)**	**(28)**	**(28)**
At 31 December 2024	**22**	**22**	**86,910**	**86,910**

Movements in the credit loss allowance and in the gross carrying amount of Supranational bonds at AC were as follows:

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Supranational				
At 1 January 2025	**48**	**48**	**260,931**	**260,931**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	-	-	-	-
Other changes	1	1		
Changes in accrued interest	-	-	(509)	(509)
Total movements with impact on credit loss allowance charge for the period	**1**	**1**	**(509)**	**(509)**
At 31 December 2025	**49**	**49**	**260,422**	**260,422**

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Supranational				
At 1 January 2024	**15**	**15**	**260,744**	**260,744**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	33	33	-	-
Changes in accrued interest	-	-	187	187
Total movements with impact on credit loss allowance charge for the period	**33**	**33**	**187**	**187**
At 31 December 2024	**48**	**48**	**260,931**	**260,931**

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

8 Debt Securities (Continued)

Movements in the credit loss allowance and in the gross carrying amount of Treasury bonds at AC were as follows:

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Treasury				
At 1 January 2025	**334**	**334**	**1,810,087**	**1,810,087**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	(62)	(62)	(354,140)	(354,140)
Other changes	-	-	-	-
Changes in accrued interest	-	-	2,026	2,026
Total movements with impact on credit loss allowance charge for the period	**(62)**	**(62)**	**(352,114)**	**(352,114)**
At 31 December 2025	**272**	**272**	**1,457,973**	**1,457,973**

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Treasury				
At 1 January 2024	**162**	**162**	**1,361,283**	**1,361,283**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	82	82	445,030	445,030
Derecognised during the period	-	-	-	-
Other changes	90	90	-	-
Changes in accrued interest	-	-	3,774	3,774
Total movements with impact on credit loss allowance charge for the period	**172**	**172**	**448,804**	**448,804**
At 31 December 2024	**334**	**334**	**1,810,087**	**1,810,087**

Movements in the credit loss allowance and in the gross carrying amount of JSCO Agrarkredit bonds at AC were as follows:

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
JSCO Agrarkredit bonds				
At 1 January 2025	**8,275**	**8,275**	**8,927,110**	**8,927,110**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	(217)	(217)	(180,167)	(180,167)
Other changes	2,482	2,482	-	-
Changes in accrued interest	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**10,540**	**10,540**	**(180,167)**	**(180,167)**
At 31 December 2025	**10,540**	**10,540**	**8,746,943**	**8,746,943**

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
JSCO Agrarkredit bonds				
At 1 January 2024	**6,042**	**6,042**	**9,063,701**	**9,063,701**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	-	-	(136,591)	(136,591)
Other changes	2,233	2,233	-	-
Changes in accrued interest	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**2,233**	**2,233**	**(136,591)**	**(136,591)**
At 31 December 2024	**8,275**	**8,275**	**8,927,110**	**8,927,110**

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

8 Debt Securities (Continued)

Movements in the credit loss allowance and in the gross carrying amount of Ministry of Finance of the Republic of Azerbaijan bonds at AC were as follows:

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Ministry of Finance of the Republic of Azerbaijan				
At 1 January 2025	**138**	**138**	**152,426**	**152,426**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	(138)	(138)	(149,522)	(149,522)
Other changes	-	-		
Changes in accrued interest	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(138)**	**(138)**	**(149,522)**	**(149,522)**
At 31 December 2025	**-**	**-**	**2,904**	**2,904**

	Credit loss allowance		Gross carrying amount	
	Stage 1	**Total**	**Stage 1**	**Total**
Ministry of Finance of the Republic of Azerbaijan				
At 1 January 2024	**99**	**99**	**152,531**	**152,531**
Movements with impact on credit loss allowance charge for the period:				
New originated or purchased	-	-	-	-
Derecognised during the period	-	-	(105)	(105)
Other changes	39	39	-	-
Changes in accrued interest	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**39**	**39**	**(105)**	**(105)**
At 31 December 2024	**138**	**138**	**152,426**	**152,426**

9 Loans to Banks

Material accounting policy

Based on the business model and the cash flow characteristics, the Group classifies loans to banks in the amortised cost measurement category (AC) because the loans are held for collection of contractual cash flows and those cash flows represent SPPI.

The Group measures, on a forward-looking basis, the ECL for loans to banks measured at AC and recognises credit loss allowance at each reporting date.

Refer to Note 31 for a description of how the Group calculate the ECL.

	31 December 2025	31 December 2024
Loans to banks, gross	454,576	455,936
Loss allowance	(454,576)	(442,175)
Loans to banks, net of loss allowance	**-**	**13,761**

Gross carrying amount and loss allowance amount for loans to banks by classes at 31 December 2025 and 31 December 2024 are disclosed in the table below:

	31 December 2025			31 December 2024		
	Gross carrying amount	**Loss allowance**	**Carrying amount**	**Gross carrying amount**	**Loss allowance**	**Carrying amount**
Refinancing loans	454,576	(454,576)	-	455,936	(442,175)	13,761
Total	**454,576**	**(454,576)**	**-**	**455,936**	**(442,175)**	**13,761**

Refinancing loans to legal entities is provided as part of implementing monetary policy of the Central Bank. As at 31 December 2025 and 2024, the Group had no banks, whose balance exceed 10% of equity.

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

9 Loans to Banks (Continued)

The following tables disclose the changes in the loss allowance for loans to banks between the beginning and the end of the reporting period:

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Refinancing loans								
Balance at 1 January	**-**	**-**	**442,175**	**442,175**	**28**	**2**	**431,565**	**431,595**
Net remeasurement of loss allowance	-	-	(13)	(13)	(28)	(2)	(1,862)	(1,892)
New financial assets originated or purchased	-	-	-	-	-	-	-	-
Unwinding of discount on present value of ECLs	-	-	12,414	12,414	-	-	12,472	12,472
Balance at 31 December	**-**	**-**	**454,576**	**454,576**	**-**	**-**	**442,175**	**442,175**

Changes in the gross carrying amount of financial instruments during the period that contributed to changes in loss allowance were as follows:

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Refinancing loans								
Balance at 1 January	**-**	**-**	**455,936**	**455,936**	**41,657**	**3,167**	**459,722**	**504,546**
Transfer to Stage 2	-	-	-	-	-	-	-	-
Transfer to Stage 3	-	-	-	-	-	-	-	-
Repaid during the year	-	-	(13,774)	(13,774)	(41,657)	(3,167)	(16,258)	(61,082)
Issued during the year	-	-	-	-	-	-	-	-
Unwinding of discount on present value of ECLs	-	-	12,414	12,414	-	-	12,472	12,472
Balance at 31 December	**-**	**-**	**454,576**	**454,576**	**-**	**-**	**455,936**	**455,936**

The credit loss allowance for loans to banks recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 31.

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

9 Loans to Banks (Continued)

The credit quality of loans to banks carried at amortised cost is as follows at 31 December 2025 and 2024:

	2025				2024			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Refinancing loans								
- Good	-	-	-	-	-	-	13,774	13,774
- Satisfactory	-	-	-	-	-	-	-	-
- Default	-	-	454,576	454,576	-	-	442,162	442,162
Gross carrying amount	**-**	**-**	**454,576**	**454,576**	**-**	**-**	**455,936**	**455,936**
Loss allowance	-	-	(454,576)	(454,576)	-	-	(442,175)	(442,175)
Carrying amount	**-**	**-**	**-**	**-**	**-**	**-**	**13,761**	**13,761**

For description of the credit risk grading used in the tables above refer to Note 31.

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

9 Loans to Banks (Continued)

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period. Collateral held for refinancing loans to banks have been fully repaid during the year ended 31 December 2025.

Information about collateral for refinancing loans to banks is as follows at 31 December 2024:

	Total
Loans collateralised by:	
- government guarantee	-
- commercial real estate	-
Carrying value of loans to banks secured	-
Unsecured exposures	-
Total carrying value of loans to banks	**-**

Collateral for refinancing loans to banks that are credit-impaired have been fully repaid during the year ended 31 December 2025.

Information about collateral for refinancing loans to banks that are credit-impaired is as follows at 31 December 2024:

	Total
Loans collateralised by:	
- government guarantee	13,761
- commercial real estate	-
Carrying value of loans to banks secured	13,761
Unsecured exposures	-
Total carrying value of loans to banks	**13,761**

Repossessed collateral

During the year ended 31 December 2025, the Group obtained certain assets by taking possession of collateral for loans to banks comprising real estate with a net carrying amount of AZN 4,587 thousand (as at 31 December 2024: AZN 4,689 thousand). The Group’s policy is to sell these assets as soon as it is practicable.

Sensitivity

31 December 2025

LGD increase. 10 percentage points increase in LGD estimates would result in allowances of AZN nil thousand at 31 December 2025 (2024: AZN 190 thousand).

PD increase. 10 percentage points increase in PD estimates would be result in an allowances of AZN nil thousand at 31 December 2025 (2024: AZN 638 thousand)

10 Loans to Non-Bank Credit Organisations

Loans to non-bank credit organisations include low interest rate loans provided to non-bank credit organisations under the state guarantee as per the decree "On the additional measures related to the solution of problem loans of individuals in the Republic of Azerbaijan" signed by the President of the Republic of Azerbaijan on 28 February 2019. Loans to non-bank credit organisations have been fully repaid as of 31 December 2025.

	31 December 2025	31 December 2024
Loans to Non-Bank Credit Organisations, gross	-	649
Loss allowance	-	(1)
Loans to Non-Bank Credit Organisations, net of loss allowance	**-**	**648**

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

11 Loans to Deposit Insurance Fund

	31 December 2025	31 December 2024
Loans to Deposit Insurance Fund, gross (rated good)	106,092	164,112
Loss allowance	(136)	(167)
Loans to Deposit Insurance Fund, net of loss allowance	**105,956**	**163,945**

Loans to Deposit Insurance Fund include low interest rate loans provided to Azerbaijan Deposit Insurance Fund under the state guarantee to compensate money deposited by individuals in banks whose licenses were revoked and declared bankrupt based on relevant court decisions and to ensure the sustainability of the financial and banking system.

During 2025, the principal amount of AZN 67,500 thousand was repaid (2024: AZN 67,500 thousand). These loans were recorded at fair value on initial recognition calculated using the market interest rates of 6.25%.

Changes in the gross carrying amount of financial instruments during the period:

	2025		2024	
	Stage 1	Total	Stage 1	Total
Loans to Deposit Insurance Fund				
Balance at 1 January	**164,112**	**164,112**	**216,584**	**216,584**
Repaid during the year	(67,500)	(67,500)	(67,500)	(67,500)
Issued during the year	-	-	-	-
Changes in accrued interest receivables	(2)	(2)	-	-
Interest income calculated using the effective interest method	8,790	8,790	12,927	12,927
Remeasurement gain on financial assets	692	692	2,101	2,101
Balance at 31 December	**106,092**	**106,092**	**164,112**	**164,112**

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

12 Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment losses, where required. Land and construction in progress are not depreciated. Depreciation on other items of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. Depreciation of an asset begins when it is available for use. Estimated useful life is determined using the following annual depreciation rates:

Buildings	2%-3%
Furniture and fixtures	7%-20%
Computer and communication equipment	10%-25%
Motor vehicles	15%

The following table provides information on the movement of property and equipment for the year ended at 31 December 2025:

	Land	Buildings	Furniture and fixtures	Computers and communication equipment	Motor vehicles	Construction in progress	Total
Cost							
Balance at 1 January 2025	**16,062**	**54,084**	**85,015**	**39,593**	**4,796**	**477,438**	**676,988**
Additions	-	94	172	86	751	146,408	147,511
Disposals	-	(62)	-	(295)	(2)	-	(359)
Transfers	-	512,226	80,525	20,560	-	(613,311)	-
Transfers to intangible assets	-	-	-	-	-	(10,533)	(10,533)
Balance at 31 December 2025	**16,062**	**566,342**	**165,712**	**59,944**	**5,545**	**2**	**813,607**
Depreciation							
Balance at 1 January 2025	**-**	**(29,646)**	**(69,317)**	**(36,321)**	**(3,667)**	**-**	**(138,951)**
Depreciation for the year	-	(5,642)	(8,019)	(2,137)	(340)	-	(16,138)
Disposals	-	62	-	256	2	-	320
Other	-	-	-	-	(3)	-	(3)
Balance at 31 December 2025	**-**	**(35,226)**	**(77,336)**	**(38,202)**	**(4,008)**	**-**	**(154,772)**
Carrying amount							
At 31 December 2025	**16,062**	**531,116**	**88,376**	**21,742**	**1,537**	**2**	**658,835**

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

12 Property and Equipment (Continued)

The new office building of the Central Bank in the Nizami district was made available for use as at 31 December 2025 and, accordingly, the capitalized expenditures relating to this project was transferred to property and equipment at year end.

The following table provides information on the movement of property and equipment for the year ended at 31 December 2024:

	Land	Buildings	Furniture and fixtures	Computers and communication equipment	Motor vehicles	Construction in progress	Total
Cost							
Balance at 1 January 2024	**16,062**	**54,030**	**86,362**	**45,516**	**4,877**	**281,881**	**488,728**
Additions	-	-	208	943	183	195,557	196,891
Disposals	-	-	(1,322)	(6,911)	(264)	-	(8,497)
Other	-	257	(233)	45	-	-	69
Transfers to investment property	-	(203)	-	-	-	-	(203)
Balance at 31 December 2024	**16,062**	**54,084**	**85,015**	**39,593**	**4,796**	**477,438**	**676,988**
Depreciation							
Balance at 1 January 2024	**-**	**(27,820)**	**(63,909)**	**(40,015)**	**(3,535)**	**-**	**(135,279)**
Depreciation for the year	-	(1,732)	(6,935)	(3,093)	(365)	-	(12,125)
Disposals	-	-	1,320	6,905	260	-	8,485
			207				
Other	-	(221)		(118)	(27)	-	(159)
Transfers to investment property	-	127	-	-	-	-	127
Balance at 31 December 2024	**-**	**(29,646)**	**(69,317)**	**(36,321)**	**(3,667)**	**-**	**(138,951)**
Carrying amount							
At 31 December 2024	**16,062**	**24,438**	**15,698**	**3,272**	**1,129**	**477,438**	**538,037**

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

13 Intangible Assets

Intangible assets are stated at cost less accumulated amortization and impairment losses.

Group's intangible assets have definite useful life and primarily include capitalized computer software and licenses.

Amortization 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 1 to 10 years.

The following table provides information on the movement of intangible assets for the year ended at 31 December 2025:

	Software	Licenses	Total intangible assets
Cost			
Balance at 1 January 2025	**75,166**	**48,762**	**123,928**
Additions	1,111	1,012	2,123
Disposals	-	-	-
Transfers from Property and equipment	7,727	2,807	10,534
Balance at 31 December 2025	**84,004**	**52,581**	**136,585**
Amortization			
Balance at 1 January 2025	**(48,721)**	**(36,375)**	**(85,096)**
Amortization for the year	(6,496)	(5,477)	(11,973)
Disposals	-	-	-
Balance at 31 December 2025	**(55,217)**	**(41,852)**	**(97,069)**
Carrying amount			
At 31 December 2025	**28,787**	**10,729**	**39,516**

The following table provides information on the movement of intangible assets for the year ended at 31 December 2024:

	Software	Licenses	Total intangible assets
Cost			
Balance at 1 January 2024	**82,183**	**51,828**	**134,011**
Additions	1,091	664	1,755
Disposals	(8,108)	(3,730)	(11,838)
Balance at 31 December 2024	**75,166**	**48,762**	**123,928**
Amortization			
Balance at 1 January 2024	**(49,078)**	**(34,460)**	**(83,538)**
Amortization for the year	(7,729)	(5,645)	(13,374)
Disposals	8,086	3,730	11,816
Balance at 31 December 2024	**(48,721)**	**(36,375)**	**(85,096)**
Carrying amount			
At 31 December 2024	**26,445**	**12,387**	**38,832**

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

14 Other Financial Assets

	31 December 2025	31 December 2024
Receivables from trade securities disposed	44,504	45,518
Loans to employees	414	375
Amounts in the course of settlement	35	684
Loss allowance	(6)	(6)
Other	5,470	829
	50,417	**47,400**

All other financial assets are in Stage 1 and are considered to have high creditworthiness.

15 Other Assets

	31 December 2025	31 December 2024
Repossessed collateral	77,354	77,847
Prepayments to suppliers	17,865	48,139
Other non-financial assets	8,809	4,917
	104,028	**130,903**

16 Money in Circulation

Material accounting policy

Money in circulation represents banknotes and coins issued by the Group and in circulation in accordance with the Law and its function as a central bank. Banknotes and coins in circulation are recorded in the statement of financial position at their nominal value net of cash in the Group's cash offices.

The costs of the production of notes and coins except for bullion coins are expensed upon delivery by the suppliers to the Group.

Money issued in circulation represents the amount of national currency of the Republic of Azerbaijan issued by the Bank. This comprises the AZN issued into circulation since 1 January, 2006, and old Azerbaijani Manats ("AZM") issued into circulation since the introduction of the national currency in 1992 and currently withdrawn from the circulation and commemorative coins.

During the year ended 31 December 2025 the Bank accepted new banknotes and coins amounting to AZN 3,026,808 thousand from printing and minting companies (2024: AZN 84,140 thousand).

	31 December 2025	31 December 2024
Balance at the beginning of the year	17,449,091	17,318,195
Net amount of banknotes and coins put into circulation	2,114,336	130,896
Balance at the end of the year	**19,563,427**	**17,449,091**

17 Short-term Deposits of Resident Banks

On 31 December 2025, the amount of short-term deposits of resident banks (including accrued interest) was AZN 2,765,718 thousand (31 December 2024: AZN 1,268,460 thousand). At 31 December 2025, AZN 2,765,718 thousand deposits in the balance of the Group were obtained through auctions as a part of monetary policy tools (including accrued interest on them) (31 December 2024: AZN 1,268,460 thousand).

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

18 Amounts Due to Government Organisations

	31 December 2025	31 December 2024
Amounts due to the Central Treasury of the Republic of Azerbaijan	3,064,036	4,313,636
Amounts due to State Oil Fund of the Republic of Azerbaijan and Azerbaijan Deposit Insurance Fund	211,044	3,422,745
Other current/demand accounts	149,990	253,743
	3,425,070	**7,990,124**

Amounts due to government organisations are non-derivative liabilities and are carried at amortized cost.

Interest rate, currency and maturity analysis of amounts due to government organisations are disclosed in Note 31.

19 Amounts Due to Credit Institutions

	31 December 2025	31 December 2024
Mandatory reserves	4,574,189	4,985,730
Current accounts	592,928	1,279,489
	5,167,117	**6,265,219**

Amounts due to credit institutions are recorded when funds are advanced to the Group by counterparty banks and carried at amortized cost.

20 Amounts Due to Other Organisations

	31 December 2025	31 December 2024
Other financial institutions	7,437	3,519
Public organisations	87	87
	7,524	**3,606**

21 Debt Securities in Issue

	31 December 2025	31 December 2024
Short-term notes	365,749	205,912
	365,749	**205,912**

Notes are bonds issued by the Central Bank for a period of 28, 84, 168 and 252 days for the purpose of implementing the monetary policy. Placement of bonds is carried out through auctions, where interest rate restrictions are not applied. In 2025, the weighted average interest rate at the auctions of notes issued by the Central Bank ranged from 6.68% to 8.23% (2024: 6.10% to 8.44%). Debt securities in issue are stated at AC

Refer to Note 35 for the disclosure of the fair value of debt securities in issue. Interest rate analyses of debt securities in issue are disclosed in Note 31.

22 Other Financial Liabilities

	31 December 2025	31 December 2024
Amounts payable for trading securities purchased	88,781	111,379
Amounts in the course of settlement	32,475	23,316
Other financial liabilities	29	1,061
	121,285	**135,756**

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

23 Charter Fund and Reserves

The Group capital consists of its charter fund and other capital components. The Charter fund of the Bank is AZN 500,000 thousand (2024: AZN 500,000 thousand). At the end of the reporting year, Group's other capital components were AZN 1,660,870 thousand (2024:1,497,035 thousand).

24 Net Interest Income

Interest income and expense are recorded for all financial instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Interest income on financial instruments at FVTPL calculated at nominal interest rate is presented within 'other interest income' line in profit or loss.

	2025	2024
Interest income calculated using the effective interest method		
Placements with non-resident banks	108,138	103,756
Debt securities at FVOCI	105,211	279,697
Debt securities at AC	88,035	91,272
SDR holdings with the IMF	38,741	46,970
Amortisation of loss on initial recognition of financial assets	8,790	12,926
Reverse repo operations	6,643	11,099
Loans to Deposit Insurance Fund	223	327
Loans to banks	-	66
Other assets	246	24
	356,027	**546,137**
Other interest income		
Debt securities at FVTPL	367,647	171,326
Investments in money market funds	98	93
	367,745	**171,419**
Interest expense		
Deposits of resident banks	114,869	58,501
Liabilities on transactions with the IMF	42,581	47,612
Debt securities in issue	27,823	64,898
Amounts due to State Treasury Agency	22,696	-
Repo operations	13,683	911
Amounts due to State Oil Fund of the Republic of Azerbaijan and Azerbaijan Deposit Insurance Fund	8,825	16,534
Overdraft on international financial institutions	40	35
Amortisation of gain on initial recognition of financial liabilities	-	30,315
Total interest expenses	**230,517**	**218,806**
	493,255	**498,750**

Amortisation of loss on initial recognition of financial assets arises from low interest rate loans provided to Azerbaijan Deposit Insurance Fund under the state guarantee.

Amortisation of gain on initial recognition of financial liabilities derives from low interest rate short-term deposit obtained from International Bank of Azerbaijan.

25 Fee and Commission Income

	2025	2024
Transfer service charge	12,560	12,457
Cash withdrawal	9,824	9,259
Other	5,471	6,055
Total	**27,855**	**27,771**

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

26 Fee and Commission Expense

	2025	2024
Cash withdrawal	7,151	7,005
External managers fees for asset management	1,468	1,423
Custodian fee	617	1,009
Settlement	80	69
Service fee	5	11
Other	51	48
	9,372	**9,565**

27 Net Gains/(Losses) from Foreign Exchange Translation

Due to the revaluation of assets and liabilities denominated in foreign currency following official exchange rate changes in 2025, the foreign exchange gain in the amount of AZN 63,417 thousand was recognised in the consolidated statement of profit or loss and other comprehensive income. (2024: AZN 59,765 thousand as a loss).

28 Segment Analysis

The Group's operations comprise a single operating segment for the purposes of these consolidated financial statements in accordance with IFRS 8 Operating Segments.

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

28 Segment Analysis (Continued)

The geographical segment analysis as of 31 December 2025 is presented below:

	Azerbaijan	Western Europe	East Europe	Southern Europe	Northern Europe	North America	East Asia	Australia and New Zealand	International Organisations	Other	Total
ASSETS											
Cash and cash equivalents	610,480	980,643	-	-	-	2,363,653	180	-	25	2,393	3,957,374
Special Drawing Rights with the IMF	-	-	-	-	-	-	-	-	1,101,087	-	1,101,087
Derivative financial instruments	-	-	-	-	-	-	-	-	-	403	403
Debt securities	10,835,248	807,638	3,469	84,441	279,959	11,576,266	3,637,280	39,458	1,504,944	14,092	28,782,795
Loans to Deposit Insurance Fund	105,956	-	-	-	-	-	-	-	-	-	105,956
Property and equipment	658,835	-	-	-	-	-	-	-	-	-	658,835
Intangible assets	39,516	-	-	-	-	-	-	-	-	-	39,516
Investment property	36,075	-	-	-	-	-	-	-	-	-	36,075
Other financial assets	5,912	1,065	-	772	-	42,668	-	-	-	-	50,417
Other assets	104,028	-	-	-	-	-	-	-	-	-	104,028
Total assets	**12,396,050**	**1,789,346**	**3,469**	**85,213**	**279,959**	**13,982,587**	**3,637,460**	**39,458**	**2,606,056**	**16,888**	**34,836,486**
LIABILITIES											
Money in circulation	19,563,427	-	-	-	-	-	-	-	-	-	19,563,427
Short-term deposits of resident banks	2,765,718	-	-	-	-	-	-	-	-	-	2,765,718
Amounts due to government organisations	3,425,070	-	-	-	-	-	-	-	-	-	3,425,070
Amounts due to credit institutions	5,167,117	-	-	-	-	-	-	-	-	-	5,167,117
Amounts due to other organisations	7,524	-	-	-	-	-	-	-	-	-	7,524
Debt securities in issue	365,749	-	-	-	-	-	-	-	-	-	365,749
Liabilities on transactions with the IMF	-	-	-	-	-	-	-	-	1,240,171	-	1,240,171
Amounts due to international financial institutions	-	-	-	-	-	-	-	-	1,569	-	1,569
Derivative financial instruments	-	-	-	-	-	-	-	-	-	2,770	2,770
Other financial liabilities	32,504	2,357	-	501	-	85,342	-	581	-	-	121,285
Other liabilities	15,216	-	-	-	-	-	-	-	-	-	15,216
Total liabilities	**31,342,325**	**2,357**	**-**	**501**	**-**	**85,342**	**-**	**581**	**1,241,740**	**2,770**	**32,675,616**

Assets and liabilities have been based on the country in which the counterparty is located. Cash on hand has been allocated based on the country in which they are physically held.

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

28 Segment Analysis (Continued)

The geographical segment analysis as of 31 December 2024 is presented below:

	Azerbaijan	**Western Europe**	**East Europe**	**Southern Europe**	**Northern Europe**	**North America**	**East Asia**	**Australia and New Zealand**	**International Organisations**	**Other**	**Total**
ASSETS											
								-			
Cash and cash equivalents	5,212,611	547,398	-	-	-	2,826,817	1,820	-	49	-	8,588,695
Special Drawing Rights with the IMF	-	-	-	-	-	-	-	-	1,129,358	-	1,129,358
Derivative financial instruments	-	-	-	-	-	-	-	-	-	6,620	6,620
Debt securities	10,584,300	1,704,723	641	66,308	346,041	8,969,022	3,170,980	37,305	942,907	1,720	25,823,947
Loans to banks	13,761	-	-	-	-	-	-	-	-	-	13,761
Loans to non-bank credit organizations	648	-	-	-	-	-	-	-	-	-	648
Loans to Deposit Insurance Fund	163,945	-	-	-	-	-	-	-	-	-	163,945
Property and equipment	538,037	-	-	-	-	-	-	-	-	-	538,037
Intangible assets	38,832	-	-	-	-	-	-	-	-	-	38,832
Investment property	37,785	-	-	-	-	-	-	-	-	-	37,785
Other financial assets	1,882	-	-	-	-	45,518	-	-	-	-	47,400
Other assets	130,903	-	-	-	-	-	-	-	-	-	130,903
Total assets	**16,722,704**	**2,252,121**	**641**	**66,308**	**346,041**	**11,841,357**	**3,172,800**	**37,305**	**2,072,314**	**8,340**	**36,519,931**
LIABILITIES											
Money in circulation	17,449,091	-	-	-	-	-	-	-	-	-	17,449,091
Short-term deposits of resident banks	1,268,460	-	-	-	-	-	-	-	-	-	1,268,460
Amounts due to government organisations	7,990,124	-	-	-	-	-	-	-	-	-	7,990,124
Amounts due to credit institutions	6,265,219	-	-	-	-	-	-	-	-	-	6,265,219
Amounts due to other organisations	3,606	-	-	-	-	-	-	-	-	-	3,606
Debt securities in issue	205,912	-	-	-	-	-	-	-	-	-	205,912
Liabilities on transactions with the IMF	-	-	-	-	-	-	-	-	1,175,186	-	1,175,186
Amounts due to international financial institutions	-	-	-	-	-	-	-	-	1,223	-	1,223
Other financial liabilities	24,378	1,535	-	1,163	150	108,240	-	290	-	-	135,756
Other liabilities	28,319	-	-	-	-	-	-	-	-	-	28,319
Total liabilities	**33,235,109**	**1,535**	**-**	**1,163**	**150**	**108,240**	**-**	**290**	**1,176,409**	**-**	**34,522,896**

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

29 Credit Loss Recovery

	2025	2024
Loans to banks	14,759	47,710
Debt securities at AC	(2,061)	(2,469)
Cash and cash equivalents	97	(547)
Loans to Deposit Insurance Fund	31	(2)
Loans to non-bank credit organizations	1	4
Other financial assets	(1)	-
	12,826	**44,696**

In 2025, AZN 14,746 thousand of the total represent the recovery of written-off receivables from defaulted banks (2024: AZN 45,818 thousand of the total represent the recovery of written-off receivables from defaulted banks).

30 Administrative and Other Operating Expenses

	2025	2024
Staff costs	56,395	45,242
Depreciation of premises and equipment	17,347	13,336
Banknotes and coin production	14,602	9,282
Amortisation of software and other intangible assets	11,970	13,374
Contributions to Social Security Pension Fund	12,323	9,880
Software maintenance	8,540	7,767
Social	7,091	700
Security	2,233	2,050
Insurance	2,102	1,483
Communication	1,988	1,271
Legal and consultancy	1,325	338
Heating and lighting	1,110	712
Business travel	1,027	895
Repair and maintenance	821	1,190
Office supplies	652	743
Representation	575	405
Audit and consulting	437	430
Occupancy and rent	414	218
Literature, printing and membership fee	246	203
Utilities	89	74
Loss on disposal of intangible assets	-	247
Contributions to Mandatory Health Insurance	934	758
Other	1,909	652
	144,130	**111,250**

Audit remuneration fee. The annual fee payable to the Bank's auditors for the audit of the Bank's consolidated financial statements as of 31 December 2025 is AZN 168 thousand, net of VAT.

31 Risk Management

The risk management function within the Group is carried out in accordance with the relevant principles of the Basel Committee and is based on the three lines of defense model. Risk management activities cover financial risks, model risks, operational risks, information technology and cyber risks, strategic (policy), and reputational risks. Group's risks are classified in the following six categories:

- *Strategic risks* **–** are the risks arising from the inability of the Central Bank to achieve its strategic initiatives due to internal or external factors, including the inappropriate selection of the Central Bank's strategic goals. The Risk Management Department is responsible for managing the strategic risks;
- *Financial risks* **–** is targeted at the identification, management of credit, market and liquidity risks. Financial Risk Management is performed by Management Board, Risk Management Department in accordance with relevant rules and procedures. Risk management policy and procedures are regularly reviewed considering the changes in the market condition, offered products and services and innovations in the advanced practice;
- *Model risks* refers to the potential financial or reputational losses that the Central Bank may incur as a result of incorrect decisions based on data obtained during the development of internal models, as well as the application, use, or operation of internal, external, and joint models. The functions of the Model Risk Management Division include the identification, assessment, and adjustment of risks associated with models currently in use or planned for implementation within the Group, as well as the establishment and quarterly updates of the "Models Register," assessment of models' sensitivity to risk, and the two-stage processes of initial and final validations, approval, monitoring, and reporting of models.
- *Operational risks* – are the risks arising out of the intentional or careless behavior of employees of Group's units and external parties, non-adequacy of the internal processes, deficiency in the technical equipment, as well as external events.
- Information Technology and Cyber Risks – These are risks arising from deficiencies in the technical equipment used in the Bank's operations, as well as from shortcomings in the software and technical platforms of information systems. The management of information technology and cyber risks at the Central Bank is carried out through a comprehensive control framework that includes the coordination of threat identification, vulnerability assessment, and the implementation of protective measures. Information security policies and other relevant internal documents are applied, and risks and incidents are monitored on a regular basis. Risk management is based on international standards and is performed with the involvement of specialized units.

  The first line of defense consists of the Group's all structural units of the model, the second and the third lines include the Strategic and operational Risk Management Division, the Information and Cyber Security Department and the Internal Audit Department, respectively. Functions of the Group's Strategic and Operational Risk Division include preparation, development, communication and training of the policy and methodology documents related to the management of strategic risks, information technology and cyber risk management, and incident management for the Group's Operational Risk Management (ORM) and Business Continuity Management (BCM) system and relevant supporting systems; coordination, facilitation, monitoring and reporting of the ORM process and as well as the performance of Risk and Control Self-Assessment and the preparation of risk profile of the Group's consolidated operations. Additionally, the division is involved in establishing limits for strategic and operational risks as specified in the Risk Appetite Statement (RAS) and conducts monitoring of these limits. As part of strategic risk management, the division performs an annual risk assessment of the Central Bank's strategy and submits a report on the findings to the management. These functions also include providing appropriate opinion by carrying out expertise on operational risks of internal bank documents and risk monitoring of the implementation status of identified measures related to the execution of audit recommendations resulting from the audit procedures performed.
- *Reputational risks* **–** are the risks arising out of the personal life, behavior and communication of Group's high-ranking officials (Members of the Management Board and General Directors), as well as discrepancy between the Group's goals and activities and the public opinion. Reputational losses in the result of inefficient management of strategic, financial, model, operational risks are not considered as reputational risks. Those losses are considered as one of the risk impact categories within the operational risks management. Group's reputational risks are managed by the Management Board, General Directors and International Cooperation and Communications Department.

31 Risk Management (Continued)

Financial risk management policies and procedures

Risk management of the Group is a critical component of its banking activities. Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and daily monitoring, subject to risk limits and other controls.

The Management Board is ultimately responsible for identifying and controlling risks; however, there are separate business units responsible for managing and monitoring the various risks:

Management Board. The Management Board is ultimately responsible for controlling of risk management system. The Management Board is responsible for the overall risk management approach, risk tolerance levels and for approving the main principles of risk management.

Risk Management Department. The Risk Management Department regularly controls the limits and exposures set for management of foreign currency assets in accordance with the "Regulations for Management of Foreign Currency Assets of the Central Bank of the Republic of Azerbaijan", "Main Directions for Management of Foreign Currency Assets of the Central Bank of the Republic of Azerbaijan", and "Operational Investment Strategy for Management of Foreign Currency Assets of the Central Bank of the Republic of Azerbaijan. The Financial Risk Management Division oversees the financial risk indicators outlined in the Risk Appetite Statement and regularly reports to the Management Board.

Internal audit. Risk management processes throughout the Group are audited annually by the Internal Audit that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Chairman of the Group.

There are also special committees and commissions within the Group for conducting operations and control such as the "Regular Commission on determination of the official exchange rates" and etc.

The risk related to the Group's foreign currency assets is a significant risk. Segregation of duties, procedures and reporting for risk management are regulated by the "Guidelines on Management of Foreign Currency Assets of the Central Bank of the Republic of Azerbaijan" and "Instruction on operations for maintenance and management of currency reserves of the Central Bank of the Republic of Azerbaijan".

Acceptable limits on managed risks are stipulated in the Risk Appetite Statement, "Guidelines on Management of Foreign Currency Assets of the Central Bank of the Republic of Azerbaijan", "Main Directions of Management of Foreign Currency Assets of the Central Bank of the Republic of Azerbaijan", "Operational Investment Strategy for Management of Foreign Currency Assets of the Central Bank of the Republic of Azerbaijan" and "Investment Rules for Management of Assets by Foreign Managers". The respective documents are approved by the Management Board.

Credit risk

The Group is exposed to credit risk, which is the risk that one party will incur a loss because the other party failed to comply with its financial obligations. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties. Credit risk is managed and controlled through proper selection of investment assets, credit quality of investment assets and setting limits on the amount of investment per investment asset.

In accordance with the investment guidelines of the Group, only investment instruments with short-term ratings of not less than A-2 (Standard & Poor's), F-2 (Fitch) or P-2 (Moody's) and long-term ratings of not less than A- (Standard & Poor's, Fitch) or A3 (Moody's) may be used for management of the Group's assets.

At the same time, the maximum amount invested in corporations, state agencies without government guarantees and regional self-governing authorities is defined as 5% of the investment portfolio. Subject to the terms of the investment instrument, minimal credit rating is defined as A- / A3 (Standard & Poor's, Fitch, Moody's) for investment instruments with a term of up to twelve months, and A / A2 (Standard & Poor's, Fitch, Moody's) for deposits with a term over twelve months. When determining the credit rating, the median of the credit ratings assigned by all three international rating agencies is used as the basis.

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

31 Risk Management (Continued)

Credit risk grading system. For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies two approaches – an Internal Risk-Based (IRB) rating system or risk grades estimated by external international rating agencies (Standard & Poor's - "S&P", Fitch, Moody's). Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below. The table describes the corresponding PD interval for corporate financial institutions and organizations. For sovereign debts in local currency, the government credit rating was considered as BB+ in accordance with S&P rating agency and 0.17% probability of default was applied.

Master scale credit risk grade	Corresponding internal and external ratings	Corresponding 12 months PD interval
Excellent	AAA to A-	0,01% - 0,05%
Good	BBB+ to B+	0,051% - 3%
Satisfactory	B, B-	3.1% - 10%
Special monitoring	CCC+ to CC-	10.1% - 99,9%
Default	C, D-I, D-II	100%

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

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

If the borrower is not provided with credit ratings by the leading international rating agencies, a credit rating is assigned by the Group using the CAELS rating system. Relevant credit rating is estimated based on the borrower's financial ratios such as: the Tier 1 capital ratio, Non-Performing Loans Ratio, Return on Equity and Return on Assets. The Group monitors adverse changes in economic and business conditions in the longer term that may impact the ability of borrowers to fulfil contractual cash flow obligations at each reporting date. The assigned interval ratings are identical with corresponding external ratings.

Expected credit loss (ECL) measurement

ECL is a probability-weighted estimate of the present value of future cash shortfalls. An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default.

PD is an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's *lifetime period.* The *lifetime period* is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any.

31 Risk Management (Continued)

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is calculated based on the 12 months PDs over the life of the instrument. The Group uses different statistical approaches depending on the segment and product type to calculate lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrices, developing lifetime PD curves based on the historical default data, hazard rate approach or other.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition.

The Group considers a financial instrument to have experienced *a significant increase in credit risk* when one or more of the following criteria have been met:

- contractual payment is overdue for 31-90 days
- financial assets are downgraded by the leading international credit rating agencies of the long-term credit rating by 2 grades since initial recognition
- evidences that other institutions (except for the Group) filed lawsuits against the borrower that may deteriorate their financial position.

The Group decided to use the low credit risk assessment exemption for the financial instruments which have "Excellent" credit risk grade.

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- the credit rating of a financial asset is downgraded to "D" (C) by leading international rating agencies
- licence of the borrower to operate in the banking industry is revoked
- the payment of principal amount and interest on loans is past due for over 90 days
- when the borrower's loans are restructured due to significant deterioration in a borrower's position
- the Group raises claims against the borrower in accordance with the law

For purposes of disclosure, the Group fully aligned the definition of default with the definition of credit-impaired assets. The default definition stated above is applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of two payments (six months). This period of two payments (six months) has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing.

31 Risk Management (Continued)

The amount of ECL that is recognised in these consolidated financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. There is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs.

If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed. A transfer from Stage 2 back to Stage 1 is made only after the Stage 1 criteria are met and remain stable for a minimum of six months (curing period). If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1

The Group has three approaches for ECL measurement: (i) assessment on an individual basis; (ii) assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) will be applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio; and (iii) assessment based on external ratings.

ECL assessment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome. When assessment is performed on a portfolio basis, the Group determines the staging of the exposures and measures the loss allowance on a collective basis.

The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future year during the lifetime period for each individual exposure.

The key principles of calculating the credit risk parameters

The EADs are determined based on the expected payment profile including contractual principal plus interest. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by the type of counterparty, type and seniority of the claim, and the availability of collateral or other credit support. The 12-month and lifetime LGDs are determined based on the factors that impact the expected recoveries after a default event. The approach to LGD measurement for the loans to banks is as follows: LGD is calculated based on the history of cash inflows for the last five financial years from realisation of the collaterals pledged against the loans payable to the Central Bank by the banks whose licences were revoked, as well as recognition of pledged assets on the balance sheet.

Forward-looking information incorporated in the ECL models. The assessment of SICR and the calculation of ECLs both incorporate unbiased and supportable forward-looking information. Adjustment for forward looking information is done only for local markets. It is done by modelling country level delinquencies on different macroeconomic variables. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs. Forecasts of economic variables (the "base economic scenario") are provided by the Group and provide the best estimate of the expected macro-economic development over the following year.

31 Risk Management (Continued)

In addition to the base economic scenario, the Group also incorporates other possible scenarios along with scenario weightings in ECL measurement. Brent oil prices and total 30+ day overdue loan portfolio of the banks variables are selected to be the main variables in the main modelling phase. A pseudo-panel database was created using the monthly data recorded in the "Macroeconomic data" section of the officially published statistical reports.

Scenarios and their weights for macro-variables are created analytically. 2 scenarios are formed for each selected variable (one scenario for each quantile), and 4 scenarios are formed as a result of their combination. The final prediction is then determined based on the weights of each scenario.

IFRS 9 Financial Instruments requires the estimation of Expected Credit Losses (ECL) to incorporate forward looking information, including relevant macroeconomic factors. To meet this requirement, ECL calculations are performed using multiple macroeconomic scenarios that reflect a range of plausible future economic conditions. Scenarios and their associated weights for key macroeconomic variables (such as GDP and price indices) are determined using an analytical approach. For each selected macroeconomic variable, two alternative scenarios (low and high) are constructed based on quantile distributions, and their combinations result in a total of four distinct macroeconomic scenarios.

These scenarios are generated using synthetic observations derived from Monte Carlo simulation techniques and are calibrated to reflect current economic conditions by incorporating actual historical data. The weights assigned to each scenario are estimated through statistical methods based on observed frequencies and the principle of maximum likelihood estimation.

Principles of assessment based on external ratings

Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD (0.01%-0.25%) and LGD (60%) from the default and recovery statistics published by the respective rating agencies. This approach is applied for the debt securities in foreign currencies and short-term deposits.

The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit.

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.

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 Group 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. The main objective when managing the interest rate risk is to maintain stable return on investments while not exceeding the risk levels that can be undertaken per investment policies.

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

31 Risk Management (Continued)

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. Debt securities measured at FVTPL are presented within the "Less than 3 months" bucket as their fair value reprices continuously to reflect prevailing market conditions, resulting in minimal exposure to interest rate risk regardless of contractual maturity. A summary of the interest gap position for major financial instruments as at 31 December 2025 is as follows:

	Less than 3 months	3-6 months	6-12 months	More than 1 year	Non-interest bearing	Carrying amount
31 December 2025						
ASSETS						
Cash and cash equivalents	3,345,461	-	-	-	611,913	3,957,374
Special Drawing Rights with the IMF	1,101,087	-	-	-	-	1,101,087
Derivative financial Instruments	403	-	-	-	-	403
Debt securities						-
- Debt securities at AC	89,719	95,418	135,950	10,223,147	-	10,544,234
- Debt securities at FVOCI	112,529	51,567	177,093	2,090,943	-	2,432,132
- Debt securities mandatorily measured at FVTPL	15,806,429	-	-	-	-	15,806,429
Loans to Deposit Insurance Fund	14,941	14,940	29,881	46,194	-	105,956
Other financial assets	50,417	-	-	-	-	50,417
Total Financial Assets	**20,520,986**	**161,925**	**342,924**	**12,360,284**	**611,913**	**33,998,032**
LIABILITIES						
Money in circulation	-	-	-	-	19,563,427	19,563,427
Short-term deposits of resident banks	2,765,718	-	-	-	-	2,765,718
Amounts due to government organisations	3,425,070	-	-	-	-	3,425,070
Amounts due to credit institutions	5,167,117	-	-	-	-	5,167,117
Amounts due to other organisations	7,524	-	-	-	-	7,524
Debt securities in issue	271,536	70,200	24,013	-	-	365,749
Liabilities on transactions with the IMF	1,240,171	-	-	-	-	1,240,171
Amounts due to international financial institutions	1,569	-	-	-	-	1,569
Derivative financial instruments	2,770	-	-	-	-	2,770
Other financial liabilities	96,351	-	24,934	-	-	121,285
Total Financial Liabilities	**12,977,826**	**70,200**	**48,947**	**-**	**19,563,427**	**32,660,400**

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

31 Risk Management (Continued)

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments as at 31 December 2024 is as follows:

	Less than 3 months	3-6 months	6-12 months	More than 1 year	Non-interest bearing	Carrying amount
31 December 2024						
ASSETS						
Cash and cash equivalents	3,376,083	-	-	-	5,212,612	8,588,695
Special Drawing Rights with the IMF	1,129,358	-	-	-	-	1,129,358
Derivative Financial Instruments	6,602	-	18	-	-	6,620
Debt securities						-
- Debt securities at AC	64,118	153,244	140,536	10,870,749	-	11,228,647
- Debt securities at FVOCI	707,396	357,192	625,862	3,161,601	-	4,852,051
- Debt securities mandatorily measured at FVTPL	9,743,249				-	9,743,249
Loans to banks	13,761	-	-	-	-	13,761
Loans to non-bank credit organizations	268	380	-	-	-	648
Loans to Deposit Insurance Fund	14,786	14,783	29,567	104,809	-	163,945
Other financial assets	47,037	14	29	320	-	47,400
Total Financial Assets	**15,102,658**	**525,613**	**796,012**	**14,137,479**	**5,212,612**	**35,774,374**
LIABILITIES						
Money in circulation	-	-	-	-	17,449,091	17,449,091
Short-term deposits of resident banks	1,268,460	-	-	-	-	1,268,460
Amounts due to government organisations	7,990,124	-	-	-	-	7,990,124
Amounts due to credit institutions	6,265,219		-	-	-	6,265,219
Amounts due to other organisations	3,606	-	-	-	-	3,606
Debt securities in issue	186,930	18,982	-	-	-	205,912
Liabilities on transactions with the IMF	1,175,186	-	-	-	-	1,175,186
Amounts due to international financial institutions	1,223	-	-	-	-	1,223
Other financial liabilities	113,177	-	167	22,412	-	135,756
Total Financial Liabilities	**17,003,925**	**18,982**	**167**	**22,412**	**17,449,091**	**34,494,577**

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

31 Risk Management (Continued)

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 sensitivity of profit or loss and equity 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 31 December 2025 and 2024 is as follows:

	2025	**2024**
100 bp parallel fall	53,011	87,997
100 bp parallel rise	(53,011)	(87,997)

An analysis of the sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets at fair value through other comprehensive income due to changes in the interest rates, based on positions existing as at 31 December 2025 and 2024 and a simplified scenario of a 100 bp symmetrical fall or rise in all yield curves, is as follows:

	2025		**2024**	
	Net profit	**Equity**	**Net profit**	**Equity**
100 bp parallel fall	178,633	1,455	147,014	32,077
100 bp parallel rise	(178,633)	(1,455)	(147,014)	(32,077)

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

31 Risk Management (Continued)

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

	31 December 2025 Average effective interest rate, %				31 December 2024 Average effective interest rate, %			
	AZN	**USD**	**EUR**	**Other currencies**	**AZN**	**USD**	**EUR**	**Other currencies**
Interest bearing assets								
Cash and cash equivalents	-	3.08	1.43	2.80	-	4.28	3.25	4.14
Special Drawing Rights with the IMF				2.66	-	-	-	3.16
Debt securities								
-Debt securities at AC	0.15	3.96	-	2.38	0.15	3.97	-	2.19
-Debt securities at FVOCI	3.10	4.77	-	-	3.08	3.81	2.22	2.58
-Debt securities mandatorily measured at FVTPL	-	2.86	1.94	3.07	-	2.69	2.24	3.54
Loans to banks (nominal interest rate)	-	-	-	-	3.52	-	-	-
Loans to non-bank credit organizations (nominal interest rate)	-	-	-	-	0.10			
Loans to Deposit Insurance Fund	6.43	-	-	-	6.42	-	-	-
Other financial assets	6.82	-	-	-	6.82	-	-	-
Interest bearing liabilities								
Short-term deposits of resident banks	6.58				6.25	-	-	-
Amounts due to government organisations	-	-	-	-	-	-	-	-
Debt securities in issue	7.25	-	-	-	7.72	-		
Liabilities on transactions with the IMF	-	-	-	2.66	-	-	-	3.16
Other financial liabilities	0.03	-	-	-	0.03	-	-	-

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

31 Risk Management (Continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Subject to the currency structure of assets, the value of assets of the Group is exposed to risk of changes in exchange rates of main foreign currencies.

The foreign currency assets of the Group are primarily maintained in US Dollars and Euro. Currency composition of assets was defined by the "Main Directions for Management of Currency Assets of the Central Bank of the Republic of Azerbaijan" approved by the resolution of the Management Board dated 24 December 2024. This document is taken as a basis by the Foreign Exchange Reserves Management Department of the Group, who is the major body responsible for management of the currency risk.

Currency risk is managed through determination of the following parameters:

- foreign currencies subject to management;
- maximum share of the managed currency in the total assets denominated in foreign currencies (minimum volume for the base currency).

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

	USD	EUR	Other foreign currencies	Total
ASSETS				
Cash and cash equivalents	3,759,644	193,037	3,952	3,956,633
Special Drawing Rights with the IMF	-	-	1,101,087	1,101,087
Debt securities	17,850,920	-	96,624	17,947,544
Derivative financial instruments	403	-	-	403
Other financial assets	44,505	-	-	44,505
Total assets	**21,655,472**	**193,037**	**1,201,663**	**23,050,172**
LIABILITIES				
Amounts due to government organisations	1,123,773	1,708	278	1,125,759
Amounts due to credit institutions	2,133,789	113,542	521	2,247,852
Amounts due to other organisations	37	-	-	37
Liabilities on transactions with the IMF	-	-	1,237,716	1,237,716
Other financial liabilities	95,473	-	-	95,473
Total liabilities	**3,353,072**	**115,250**	**1,238,515**	**4,706,837**
Net recognized position	**18,302,400**	**77,787**	**(36,852)**	**18,343,335**
Derivatives	(207,222)	233,627	69,680	96,085
Net position	**18,095,178**	**311,414**	**32,828**	**18,439,420**

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

31 Risk Management (Continued)

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

	USD	EUR	Other foreign currencies	Total
ASSETS				
Cash and cash equivalents	8,271,589	292,365	23,630	8,587,584
Special Drawing Rights with the IMF	-	-	1,129,358	1,129,358
Debt securities	13,846,324	637,892	755,427	15,239,643
Derivative financial instruments	6,620	-	-	6,620
Other financial assets	46,172	3	-	46,175
Total assets	**22,170,705**	**930,260**	**1,908,415**	**25,009,380**
LIABILITIES				
Amounts due to government organisations	3,423,889	640	971	3,425,500
Amounts due to credit institutions	2,573,584	217,804	10,004	2,801,392
Amounts due to other organisations	4	-	-	4
Liabilities on transactions with the IMF	-	-	1,172,800	1,172,800
Other financial liabilities	111,398	21,293		132,691
Total liabilities	**6,108,875**	**239,737**	**1,183,775**	**7,532,387**
Net recognized position	**16,061,825**	**690,523**	**724,640**	**17,476,993**
Derivatives	352,219	(228,644)	(103,175)	20,400
Net position	**16,414,049**	**461,879**	**621,465**	**17,497,393**

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

	31 December 2025	31 December 2024
10% appreciation of USD against AZN (2024: 10%)	1,809,518	1,641,405
10% appreciation of EUR against AZN (2024: 10%)	31,141	46,188

A strengthening of the AZN against the above currencies at 31 December 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.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Management of the liquidity risk by the Group is based on keeping the liquidity at required level for meeting the requirements of the Group in any condition.

In order to implement the monetary policy, the Group maintains operational liquid tranche from its foreign currency assets. Liquidity risk management consists of identifying the liquid assets and determining the minimum liquidity limits of foreign currency assets over its investment period.

The table below shows liabilities at 31 December 2025 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

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

31 Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2025 is as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
LIABILITIES						
Money in circulation	19,563,427	-	-	-	-	19,563,427
Short-term deposits of resident banks	2,768,471	-	-	-	-	2,768,471
Amounts due to government organisations	3,425,070	-	-	-	-	3,425,070
Amounts due to credit institutions	5,167,117	-	-	-	-	5,167,117
Amounts due to other organisations	7,524	-	-	-	-	7,524
Debt securities in issue	86,500	259,300	25,000	-	-	370,800
Liabilities on transactions with the IMF	1,240,171	-	-	-	-	1,240,171
Amounts due to international financial institutions	1,569	-	-	-	-	1,569
Other financial liabilities	96,351	-	24,934	-	-	121,285
Total potential future payments for financial obligations	**32,356,200**	**259,300**	**49,934**	**-**	**-**	**32,665,434**

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

31 Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2024 is as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
LIABILITIES						
Money in circulation	17,449,091					17,449,091
Short-term deposits of resident banks	1,269,782	-	-	-	-	1,269,782
Amounts due to government organisations	7,990,124	-	-	-	-	7,990,124
Amounts due to credit institutions	6,265,219	-	-	-	-	6,265,219
Amounts due to other organisations	3,606	-	-	-	-	3,606
Debt securities in issue	55,000	153,200	-	-	-	208,200
Liabilities on transactions with the IMF	1,175,186	-	-	-	-	1,175,186
Amounts due to international financial institutions	1,223	-	-	-	-	1,223
Other financial liabilities	113,177	-	167	22,412`	-	135,756
Total potential future payments for financial obligations	**34,322,408**	**153,200**	**167**	**22,412**	**-**	**34,498,187**

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

31 Risk Management (Continued)

The table below shows the maturity analysis of financial assets at their carrying amounts and based on their contractual maturities. Impaired loans are included at their carrying amounts net of credit loss allowance, and based on the expected timing of cash inflows.

The table below shows the maturity analysis of the amounts recognized in the consolidated statement of financial position as at 31 December 2025:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
ASSETS						
Cash and cash equivalents	3,957,374	-	-	-	-	3,957,374
Special Drawing Rights with the IMF	1,101,087	-	-	-	-	1,101,087
Derivative financial instruments	403	-	-	-	-	403
Debt securities	1,895,437	1,946,627	6,345,634	7,132,382	11,462,715	28,782,795
Loans to Deposit Insurance Fund	4,981	9,960	44,821	46,194	-	105,956
Other financial assets	50,417	-	-	-	-	50,417
Total financial assets	**7,009,699**	**1,956,587**	**6,390,455**	**7,178,576**	**11,462,715**	**33,998,032**
LIABILITIES						
Money in circulation	19,563,427	-	-	-	-	19,563,427
Amounts due to government organisations	3,425,070	-	-	-	-	3,425,070
Short-term deposits of resident banks	2,765,718	-	-	-	-	2,765,718
Amounts due to credit institutions	5,167,117	-	-	-	-	5,167,117
Amounts due to other organisations	7,524	-	-	-	-	7,524
Derivative financial instruments	2,770	-	-	-	-	2,770
Debt securities in issue	86,236	185,299	94,214	-	-	365,749
Liabilities on transactions with the IMF	1,240,171	-	-	-	-	1,240,171
Amounts due to international financial institutions	1,569	-	-	-	-	1,569
Other financial liabilities	96,352	-	24,933	-	-	121,285
Total financial liabilities	**32,355,954**	**185,299**	**119,147**	**-**	**-**	**32,660,400**
Net position	**(25,346,255)**	**1,771,288**	**6,271,308**	**7,178,576**	**11,462,715**	**1,337,632**

Liquidity risk denominated in local currency is regularly assessed and managed by the Group.

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

31 Risk Management (Continued)

The table below shows the maturity analysis of the amounts recognized in the consolidated statement of financial position as at 31 December 2024:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	Total
ASSETS						
Cash and cash equivalents	8,588,695	-	-	-	-	8,588,695
Special Drawing Rights with the IMF	1,129,358	-	-	-	-	1,129,358
Derivative financial instruments	5,640	980	-	-	-	6620
Debt securities	849,824	1,622,810	4,385,592	7,838,841	11,126,880	25,823,947
Loans to banks	13,761	-	-	-	-	13,761
Loans to non-bank credit organizations	223	45	380	-	-	648
Loans to Deposit Insurance Fund	4,931	9,856	44,349	104,809	-	163,945
Other financial assets	47,037	-	44	3	316	47,400
Total financial assets	**10,639,469**	**1,633,691**	**4,430,365**	**7,943,653**	**11,127,196**	**35,774,374**
LIABILITIES						
Money in circulation	17,449,091	-	-	-	-	17,449,091
Amounts due to government organisations	7,990,124	-	-	-	-	7,990,124
Short-term deposits of resident banks	1,268,460	-	-	-	-	1,268,460
Amounts due to credit institutions	6,265,219	-	-	-	-	6,265,219
Amounts due to other organisations	3,606	-	-	-	-	3,606
Derivative financial instruments	-	-	-	-	-	-
Debt securities in issue	54,847	132,083	18,982	-	-	205,912
Liabilities on transactions with the IMF	1,175,186	-	-	-	-	1,175,186
Amounts due to international financial institutions	1,223	-	-	-	-	1,223
Other financial liabilities	113,177	-	167	22,412	-	135,756
Total financial liabilities	**34,320,933**	**132,083**	**19,149**	**22,412**	**-**	**34,494,577**
Net position	**(23,681,464)**	**1,501,608**	**4,411,216**	**7,921,241**	**11,127,196**	**1,279,797**

32 Management of Capital

The capital of the Group comprises the residual value of the Group's assets after deduction of all its liabilities.

The Group's objectives when managing capital are to maintain an appropriate level of capital to ensure economic independence of the Group and ability to perform its functions. The Group considers total capital under management to be equity disclosed in the consolidated statement of financial position.

No external capital requirements exist for the Group as the central bank, except for the size of the charter fund and minimum amount of capital reserves stipulated by the Law of the Republic of Azerbaijan on "the Central Bank of the Republic of Azerbaijan" (the "Law").

The total consolidated equity of the Group is equal to AZN 2,160,870 thousand (2024: AZN 1,997,035 thousand).

As disclosed in Note 23, at 31 December 2025 the authorized and fully paid charter fund of the Bank was AZN 500,000 thousand (31 December 2024: AZN 500,000 thousand). The total capital reserves, retained earnings and revaluation reserve/(loss) for debt securities at FVOCI attributable to the Central Bank of the Republic of Azerbaijan as a separate entity are equal to AZN 500,000 thousand (2024: AZN 500,000 thousand), AZN 1,115,132 thousand (2024: AZN 965,807 thousand), reserve for comprehensive income on revaluation of foreign currency position AZN 33,321 and AZN 6,005 thousand gain (2024: AZN 24,313 thousand gain) respectively. The Bank's capital reserves shall not fall below its charter fund.

Based on Article 12 and 14 of the Law, reporting year profit shall, in the first place, be directed to formation of capital reserves of the Central Bank and capital shortfall resulting from Central Bank's activity shall be covered at the expense of securities issued by the state, being deferred by one fiscal year. Per Article 13, losses, resulting from revaluation of assets and liabilities in foreign currency and gold at the year end shall be covered at the expense of revaluation reserves of previous years, in case these reserves do not suffice, they shall be covered at the expense of capital reserves of the Central Bank

The Bank has made total gain in the amount of AZN 724,825 thousand (2024: AZN 720,931 thousand gain) for the year ended 31 December 2025. This amount represents the financial performance of the Bank as a separate entity and is not inclusive of profits or losses from its subsidiary, which is accounted for in the consolidated financial statements.

According to Article 12 of the Law, reporting year profit of the Bank shall, in the first place, be directed to formation of capital reserves of the Central Bank, and upon formation of capital reserves and approval of Central Bank's annual financial statements by the auditor's opinion, a free balance of realized gains shall be transferred to the state budget or Guarantee Fund for Liabilities on Government Debt and Guarantee based only upon demand by the relevant executive authority.

In compliance with Article 12 of the "Law on the Central Bank of the Republic of Azerbaijan" (Distribution of Central Bank's Profit), the calculation of the portion of the Central Bank's profit available to be transferred to the state budget has been performed based on the Methodology (for which there is no guidance in IFRS) developed by experts from "Ernst & Young Holdings (CIS) B.V.," a Big Four consultancy firm.

The Methodology reflects the classification of items in the statement of profit or loss and other comprehensive income into realized and unrealized components. According to the calculations, the realized gain for 2025 amounts to AZN 585,991 thousand.

Transfer to the State Budget was AZN 542,178 thousand in 2025 (2024: 250,000).

33 Commitments and Contingencies

Litigations

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

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

34 Related Party Transactions

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Main government entities operating with the Group include the Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan, Ministry of Finance, International Bank of Azerbaijan, State Oil Fund of Azerbaijan, Agrarkredit JSCO, Azerbaijan Deposit Insurance Fund and Azer Turk Bank.

Transactions with the members of the Management

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

	2025	2024
Short-term employee benefits (salary and bonuses)	3,912	2,701
Social security contribution	747	550
	4,659	**3,251**

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

34 Related Party Transactions (Continued)

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

	Government bodies of Azerbaijan		Entities under government control		Total
	Amount	Effective interest	Amount	Effective interest rate,	Amount
Statement of financial position					
ASSETS					
Debt securities					
-Debt securities at AC	2,904	from 4.85 to 9	8,736,403	0.15	8,739,307
Credit loss allowance	-	-	(10,540)	-	(10,540)
-Debt securities at FVOCI	-	-	2,095,942	from 3 to 3.25	2,095,942
Loans to Deposit Insurance Fund	-	-	106,092	6.42	106,092
Credit loss allowance	-	-	(136)	-	(136)
LIABILITIES					
Amounts due to government organisations	3,064,591	-	360,479	-	3,425,070
Short-term deposits of resident banks	-	-	710,308	6.69	710,308
Amounts due to credit institutions	-	-	1,775,929	-	1,775,929
Amounts due to other organisations	84	-	7,440	-	7,524
Amounts due to international financial institutions	1,569	-	-	-	1,569
Debt securities in issue	-	-	-	-	-
Profit (loss)					
Interest income	302	-	79,579	-	79,881
Interest expense	(22,695)	-	(17,171)	-	(39,866)
Fee and commission income	1.466	-	5,999	-	7,465
Fee and commission expense	-	-	(740)	-	740
Recovery of /(credit) loss allowance	138	-	(2,234)	-	(2,096)
Credit loss allowance of debt securities at fair value through other comprehensive income	-	-	(1,122)	-	(1,122)
Gain on recognition of financial assets	-	-	692	-	692
Net gain from disposals of securities measured at FVOCI	-	-	31	-	31
Other operating income	-	-	2,919	-	2,919
Administrative and other operating expenses	(14,781)	-	(1,295)	-	(16,075)

As at 31 December 2025, the accumulated credit loss allowance related to debt securities measured at FVOCI with related parties (Entities under government control) amounted to AZN 2,524 thousand.

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

34 Related Party Transactions (Continued)

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

	Government bodies of Azerbaijan		Entities under government control		Total
	Amount	Effective interest rate,	Amount	Effective interest rate, %	Amount
Statement of financial position					
ASSETS					
Debt securities					
-Debt securities at AC	152,288	-	8,918,835	0.15	9,071,123
Credit loss allowance	(138)	-	(8,275)	-	(8,413)
-Debt securities at FVOCI			1,513,177	from 3 to 3.25	1,513,177
Loans to Deposit Insurance Fund	-	-	164,112	6.42	164,112
Credit loss allowance		-	(167)	-	(167)
LIABILITIES					
Amounts due to government organisations	4,313,683	-	3,676,441	-	7,990,124
Short-term deposits of resident banks	-	-	9,005	6.45	9,005
Amounts due to credit institutions	-	-	2,463,201	-	2,463,201
Amounts due to other organisations	-	-	3,522	-	3,522
Amounts due to international financial institutions	1,223	-	-	-	1,223
Debt securities in issue	-	-			
Profit (loss)					
Interest income	283	-	65,060	-	65,343
Interest expense	(47,612)	-	(102,037)	-	(149,649)
Fee and commission income	1,407	-	4,418	-	5,825
Fee and commission expense	-	-	(968)	-	(968)
Recovery of /(credit) loss allowance	(39)	-	(2,235)	-	(2,274)
Credit loss allowance of debt securities at fair value through other comprehensive income	-	-	(757)	-	(757)
Gain on recognition of financial assets	-	-	2,101	-	2,101
Net losses from disposals of securities measured at FVOCI	-	-	208	-	208
Other operating income	-	-	828	-	828
Administrative and other operating expenses	(12,069)	-	(843)	-	(12,912)

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

35 Financial Assets and Liabilities: Fair Values and Accounting Classifications

Accounting classifications and fair values

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets mandatorily measured at FVTPL; (b) debt instruments at FVOCI, (c) financial assets at AC.

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2025:

	Financial assets measured at AC	Financial assets measured at FVOCI	Financial assets measured at FVTPL	Total
ASSETS				
Cash and cash equivalents	3,663,098	-	294,276	3,957,374
Debt securities				-
Agency	86,853	173,317	3,500,566	3,760,736
Supranational	260,373	76,807	1,167,765	1,504,945
Treasury	1,457,701	34,500	9,310,342	10,802,543
Local Authority	-	51,566	858,360	909,926
Corporate	-	-	254,431	254,431
Sovereign	-	-	108,139	108,139
US Agency MBS	-	-	587,923	587,923
Covered	-	-	18,903	18,903
Mortgage and Credit Guarantee Fund of the Republic	-	2,095,942	-	2,095,942
JSCO Agrarkredit	8,736,403	-	-	8,736,403
Ministry of Finance of the Republic of Azerbaijan	2,904	-	-	2,904
Loans to Deposit Insurance Fund	105,956	-	-	105,956
Special Drawing Rights with the IMF	1,101,087	-	-	1,101,087
Derivative financial instruments	-	-	403	403
Other financial assets:	-	-	-	-
- Receivables from trade securities disposed	44,504	-	-	44,504
- Loans to employees	408	-	-	408
- Other non-financial assets	35	-	-	35
- Amounts in course of settlement	5,470	-	-	5,470
TOTAL FINANCIAL ASSETS	**15,464,792**	**2,432,132**	**16,101,108**	**33,998,032**

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

35 Financial Assets and Liabilities: Fair Values and Accounting Classifications (Continued)

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2024:

	Financial assets measured at AC	Financial assets measured at FVOCI	Financial assets measured at FVTPL	Total
ASSETS				
Cash and cash equivalents	8,307,279	-	281,416	8,588,695
Debt securities				
Agency	86,888	770,856	2,442,921	3,300,665
Supranational	260,883	444,560	439,881	1,145,324
Treasury	1,809,753	2,011,073	4,940,751	8,761,577
Local Authority	-	60,538	403,889	464,427
Corporate	-	-	928,819	928,819
Sovereign	-	51,847	38,184	90,031
US Agency MBS	-	-	520,614	520,614
Covered	-	-	28,190	28,190
Mortgage and Credit Guarantee Fund of the	-	1,513,177	-	1,513,177
JSCO Agrarkredit	8,918,835	-	-	8,918,835
Ministry of Finance of the Republic of	152,288	-	-	152,288
Loans to banks				
- Refinancing loans	13,761	-	-	13,761
Loans to non-bank credit organizations	648	-	-	648
Loans to Deposit Insurance Fund	163,945	-	-	163,945
Special Drawing Rights with the IMF	1,129,358	-	-	1,129,358
Derivative financial instruments	-	-	6,620	6,620
Other financial assets:		-		
- Receivables from trade securities disposed	45,518	-	-	45,518
- Loans to employees	369	-	-	369
- Other non-financial assets	829	-	-	829
- Amounts in course of settlement	684	-	-	684
TOTAL FINANCIAL ASSETS	**20,891,038**	**4,852,051**	**10,031,285**	**35,774,374**

As of 31 December 2025 and 31 December 2024, all of the Group's financial liabilities were carried at AC, except for derivatives.

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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities. The fair value of a liability reflects its non-performance risk.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. 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. For all other financial instruments the Group determines fair values using other valuation techniques. The chosen valuation technique incorporates all the factors that market participants would take into account in these circumstances.

35 Financial Assets and Liabilities: Fair Values and Accounting Classifications (Continued)

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, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm’s length.

The Group uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, like interest rate and 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.

There were no changes in valuation techniques as at 31 December 2025 (2024: none).

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 Group 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 and other comprehensive income 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.

Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that 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.

Where third-party information, such as broker quotes or pricing services are used to measure fair value, the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, is assessed and documented. This includes:

- verifying that the broker or pricing service is approved by the Group for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;

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

35 Financial Assets and Liabilities: Fair Values and Accounting Classifications (Continued)

- where a number of quotes for the same financial instrument have been obtained, how fair value has been determined using those quotes.

Fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The table below analyses financial instruments measured at fair value at 31 December 2025, by the level in the fair value hierarchy into which the recurring fair value measurement is categorised. The amounts are based on the values recognized in the statement of financial position:

	Level 1	Level 2	Total
Financial assets			
Cash and cash equivalents	294,276	-	294,276
Debt securities			-
- Agency	3,673,883	-	3,673,883
- Supranational	1,244,572	-	1,244,572
- Treasury	9,344,842	-	9,344,842
- Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan	-	2,095,942	2,095,942
- Local Authority	909,926	-	909,926
- Corporate	254,431	-	254,431
- Sovereign	108,139	-	108,139
- Us Agency MBS	587,923	-	587,923
- Covered	18,903	-	18,903
Derivative financial instruments	-	403	403
	16,426,895	**2,096,345**	**18,533,240**

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

	Level 1	Level 2	Total
Financial assets			
Cash and cash equivalents	281,416	-	281,416
Debt securities			
- Agency	3,213,776	-	3,213,776
- Supranational	884,441	-	884,441
- Treasury	6,951,824	-	6,951,824
- Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan	-	1,513,177	1,513,177
- Local Authority	464,427	-	464,427
- Corporate	928,820	-	928,820
- Sovereign	90,031	-	90,031
- Us Agency MBS	520,614	-	520,614
- Covered	28,190	-	28,190
Derivative financial instruments	-	6,620	6,620
	13,363,539	**1,519,797**	**14,883,336**

The valuation of level 1 securities is regularly performed by the Group using available sources.

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

35 Financial Assets and Liabilities: Fair Values and Accounting Classifications (Continued)

Derivative products valued using a valuation technique with market-observable inputs are mainly currency forward (including forward made on the basis of mutual settlement) exchange and swap contracts. The fair value of forward foreign exchange and swap contracts is determined using forward exchange rates at the balance sheet date

There were no transfers between Level 1 and Level 2 during the year.

Assets and liabilities not measured at fair value but for which fair value is disclosed

The table below analyses financial instruments not measured at fair value at 31 December 2025, by the level in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
ASSETS					
Cash and cash equivalents	611,913	3,051,185	-	3,663,098	3,663,098
Special Drawing Rights with the IMF	-	1,101,087	-	1,101,087	1,101,087
Debt securities:				-	-
Agency	86,853	-	-	86,853	86,853
Supranational	260,373	-	-	260,373	260,373
Treasury	1,457,701	-	-	1,457,701	1,457,701
JSCO Agrarkredit	-	-	8,736,403	8,736,403	8,736,403
Ministry of Finance of the Republic of Azerbaijan	-	2,904	-	2,904	2,904
Loans to Deposit Insurance Fund	-	106,078	-	106,078	105,956
Other financial assets	-	50,417	-	50,417	50,417
LIABILITIES				-	-
Money in circulation	19,563,427	-	-	19,563,427	19,563,427
Short-term deposits of resident banks	-	2,765,718	-	2,765,718	2,765,718
Amounts due to government organisations	-	3,425,070	-	3,425,070	3,425,070
Amounts due to credit institutions	-	5,167,117	-	5,167,117	5,167,117
Amounts due to other organisations	-	7,524	-	7,524	7,524
Debt securities in issue	-	365,749	-	365,749	365,749
Liabilities on transactions with the IMF	-	1,240,171	-	1,240,171	1,240,171
Amounts due to international financial institutions	-	1,569	-	1,569	1,569
Other financial liabilities	-	121,285	-	121,285	121,285

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

35 Financial Assets and Liabilities: Fair Values and Accounting Classifications (Continued)

The table below analyses financial instruments not measured at fair value at 31 December 2024, by the level in the fair value hierarchy:

	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
ASSETS					
Cash and cash equivalents	5,212,611	3,094,668	-	8,307,279	8,307,279
Special Drawing Rights with the IMF	-	1,129,358	-	1,129,358	1,129,358
Debt securities:					
Agency	86,888	-	-	86,888	86,888
Supranational	260,883	-	-	260,883	260,883
Treasury	1,809,753	-	-	1,809,753	1,809,753
JSCO Agrarkredit	-	-	8,918,835	8,918,835	8,918,835
Ministry of Finance of the Republic of Azerbaijan	-	3,622	148,666	152,288	152,288
Loans to banks	-	13,899	-	13,899	13,761
Loans to non-bank credit organizations	-	648	-	648	648
Loans to Deposit Insurance Fund	-	124,885	-	124,885	163,945
Other financial assets	-	47,394	-	47,394	47,400
LIABILITIES					
Money in circulation	17,449,091	-	-	17,449,091	17,449,091
Short-term deposits of resident banks	-	1,268,460	-	1,268,460	1,268,460
Amounts due to government organisations	-	7,990,124	-	7,990,124	7,990,124
Amounts due to credit institutions	-	6,265,219	-	6,265,219	6,265,219
Amounts due to other organisations	-	3,606	-	3,606	3,606
Debt securities in issue	-	205,912	-	205,912	205,912
Liabilities on transactions with the IMF	-	1,175,186	-	1,175,186	1,175,186
Amounts due to international financial institutions	-	1,223	-	1,223	1,223
Other financial liabilities	-	135,756	-	135,756	135,756

The fair values in level 2 and 3 fair value hierarchies were estimated using the discounted cash flows valuation technique, except for JSCO Agrarkredit. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Fair value of JSCO Agrarkredit securities equal to its carrying amount, the debt securities were issued within special market segment where market interest rate is 0.15% and not changed between inception date and as at 31 December 2025.