

OJSC International Bank of Azerbaijan

Interim condensed consolidated financial statements

30 June 2026



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Report on Review of Interim Financial Information

To the Shareholders and the Supervisory Board of
OJSC International Bank of Azerbaijan

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of OJSC International Bank of Azerbaijan and its subsidiaries (the "Group"), which comprise the interim consolidated statement of financial position as at 30 June 2026 and the related interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Ernst & Young Holdings (CIS) B.V.

23 September 2026

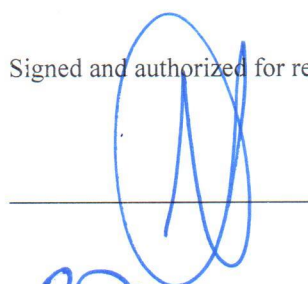
Baku, Azerbaijan

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

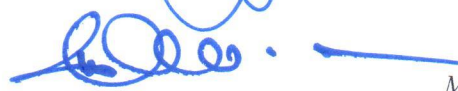
<i>in thousands of Azerbaijani manats</i>	Notes	30 June 2026 (unaudited)	31 December 2025
Assets			
Cash and cash equivalents	4	3,305,055	1,729,527
Mandatory cash balances with central banks	5	1,698,611	1,653,879
Due from banks and other financial institutions	6	79,016	125,360
Investment securities	7	2,896,956	3,311,203
Loans to customers	8	7,371,880	6,868,825
Receivables from CJSC "Agrarkredit"	16	453	50,612
Current income tax assets		7,089	6,132
Deferred income tax assets		1,967	2,098
Property, equipment and intangible assets		314,625	277,571
Other assets	9	227,822	241,280
Total assets		15,903,474	14,266,487
Liabilities			
Due to banks and other financial institutions	10	810,767	502,983
Customer accounts	11	10,640,920	9,713,857
Payables to CJSC "Agrarkredit"	16	–	50,896
Other borrowed funds	12	1,411,356	974,109
Debt securities issued	13	130,562	100,368
Current income tax liabilities		23,382	19,024
Deferred income tax liabilities		82,459	79,773
Other liabilities	9	245,142	265,762
Total liabilities		13,344,588	11,706,772
Equity			
Share capital	15	1,281,271	1,281,271
Foreign currency translation reserve		(42,524)	(40,758)
Revaluation reserve for premises		53,712	54,842
Unrealized gain on investment securities		90,468	95,001
Retained earnings and other reserves		1,175,959	1,169,359
Total equity		2,558,886	2,559,715
Total liabilities and equity		15,903,474	14,266,487

Signed and authorized for release on behalf of the Management Board:



Mr. Abbas Ibrahimov

Chairman of the Management Board



Mr. Nabi Aliyev

Deputy Chairman of the Management Board, CFO

Baku, Azerbaijan
23 September 2026

The accompanying selected explanatory notes on pages 5 to 29 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**For the six months ended 30 June 2026**

<i>in thousands of Azerbaijani manats</i>	Notes	For the six months ended 30 June (unaudited) 2026	For the six months ended 30 June (unaudited) 2025
Interest income calculated using the effective interest rate			
Loans to customers		481,951	401,717
Investment securities		84,882	89,039
Cash and cash equivalents		49,513	77,422
Due from banks and other financial institutions		3,996	2,658
Receivables from CJSC "Agrarkredit"		907	4,602
		621,249	575,438
Interest expense			
Customer accounts		(166,993)	(156,154)
Due to banks and other financial institutions		(30,218)	(31,358)
Other borrowed funds		(26,754)	(5,035)
Debt securities issued		(5,958)	(5,624)
Lease liabilities		(1,044)	(1,123)
		(230,967)	(199,294)
Net interest income		390,282	376,144
Credit loss expense on interest bearing financial assets	18	(47,761)	(31,426)
Net interest income after credit loss expense on interest bearing financial assets		342,521	344,718
Fee and commission income	19	170,377	132,701
Fee and commission expense	19	(95,063)	(88,533)
Net gains/(losses) from operations in foreign currencies:			
- Dealing		87,031	86,987
- Translation differences		4,573	(1,459)
Credit loss reversal/(expense) on credit-related commitments and other financial assets	18	65	(11,833)
Other impairment reversal/(charge)	18	3,281	(1,008)
Operating expenses	20	(237,459)	(200,181)
Other operating income		7,473	2,413
Non-interest loss		(59,722)	(80,913)
Profit before income tax expense		282,799	263,805
Income tax expense	14	(76,199)	(59,004)
Net profit for the period		206,600	204,801
Other comprehensive income			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods</i>			
Unrealized gain on debt securities at FVOCI		318	9,541
Exchange rate differences on translating foreign operations		(1,766)	50,055
Income tax relating to components of other comprehensive income to be reclassified to profit or loss in subsequent periods		(64)	(1,908)
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		(1,512)	57,688
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>			
Unrealized (loss)/gain on equity securities		(5,984)	13,316
Change in revaluation reserve for premises		(1,412)	1,211
Income tax relating to components of other comprehensive income not to be reclassified to profit or loss in subsequent periods		1,479	(2,905)
Total other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods		(5,917)	11,622
Total comprehensive income for the period		199,171	274,111
Earnings per share, basic and diluted (AZN per share)	15	0.04	0.04

The accompanying selected explanatory notes on pages 5 to 29 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2026

<i>in thousands of Azerbaijani manats</i>	Share capital	Foreign currency translation reserve	Revaluation reserve for premises	Unrealized gain on investment securities	Retained earnings and other reserves	Total equity
As at 1 January 2025	1,281,271	(88,880)	49,555	67,264	964,868	2,274,078
Net profit for the period	–	–	–	–	204,801	204,801
Other comprehensive income for the period	–	50,055	969	18,286	–	69,310
Total comprehensive income for the period	–	50,055	969	18,286	204,801	274,111
Dividends declared to shareholders (Note 15)	–	–	–	–	(200,000)	(200,000)
As at 30 June 2025 (unaudited)	1,281,271	(38,825)	50,524	85,550	969,669	2,348,189
As at 1 January 2026	1,281,271	(40,758)	54,842	95,001	1,169,359	2,559,715
Net profit for the period	–	–	–	–	206,600	206,600
Other comprehensive loss for the period	–	(1,766)	(1,130)	(4,533)	–	(7,429)
Total comprehensive income for the period	–	(1,766)	(1,130)	(4,533)	206,600	199,171
Dividends declared to shareholders (Note 15)	–	–	–	–	(200,000)	(200,000)
As at 30 June 2026 (unaudited)	1,281,271	(42,524)	53,712	90,468	1,175,959	2,558,886

The accompanying selected explanatory notes on pages 5 to 29 are an integral part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2026

<i>in thousands of Azerbaijani manats</i>	Notes	For the six months ended 30 June (unaudited) 2026	For the six months ended 30 June (unaudited) 2025
Cash flows from operating activities			
Interest received		605,237	556,391
Interest paid		(230,309)	(167,731)
Dividends received		420	296
Fees and commissions received		170,667	132,512
Fees and commissions paid		(78,675)	(86,674)
Gains from operations in foreign currencies		87,031	86,988
Staff costs paid		(175,071)	(142,290)
Other operating expenses paid		(59,328)	(48,922)
Other operating income received		14,883	1,786
Cash flows from operating activities before changes in operating assets and liabilities		334,855	332,356
<i>Net (increase)/decrease in operating assets</i>			
Mandatory cash balances with central banks		(44,732)	(106,045)
Due from banks and other financial institutions		45,249	(53,679)
Loans to customers		(283,110)	(292,759)
Receivables from CJSC "Agrarkredit"		(998)	580
Other assets		(26,375)	7,026
<i>Net increase/(decrease) in operating liabilities</i>			
Due to banks and other financial institutions		299,087	31,414
Customer accounts		828,578	126,946
Other liabilities		(14,176)	(12,308)
Net cash flows from operating activities before income tax		1,138,378	33,531
Income taxes paid		(67,628)	(57,045)
Net cash flows from/(used in) operating activities		1,070,750	(23,514)
Cash flows from investing activities			
Purchase of investment securities		(622,733)	(1,114,609)
Proceeds from sale and redemption of investment securities		1,042,910	1,385,861
Purchase and prepayments for property, equipment and intangible assets		(18,439)	(9,503)
Net cash flows from investing activities		401,738	261,749
Cash flows from financing activities			
Repayments of other borrowed funds		(373,077)	(32,541)
Proceeds from other borrowed funds		634,729	387,577
Proceeds from debt securities issued	13	30,000	–
Dividend paid to shareholders	15	(200,000)	(200,000)
Net cash flows from financing activities		91,652	155,036
Effect of exchange rate differences on cash and cash equivalents		11,388	181,527
Net increase in cash and cash equivalents		1,575,528	574,798
Cash and cash equivalents, beginning of period	4	1,729,527	2,173,685
Cash and cash equivalents, end of period	4	3,305,055	2,748,483

The accompanying selected explanatory notes on pages 5 to 29 are an integral part of these interim condensed consolidated financial statements.

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***1. PRINCIPAL ACTIVITIES**

The OJSC International Bank of Azerbaijan (“the Bank”) was incorporated in 1991 as a state-owned bank and is domiciled in the Republic of Azerbaijan.

The activities of the Bank are regulated by the Central Bank of the Republic of Azerbaijan (“The CBAR”). The Bank conducts its business under a general full banking license issued on 30 December 1992. The Bank’s primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at 67, Nizami Street, AZ1005, Baku, the Republic of Azerbaijan.

As at 30 June 2026 the Bank had 78 branches (31 December 2025: 77) operating in the Republic of Azerbaijan.

The accompanying interim condensed consolidated financial statements comprise the accounts of the Bank and its subsidiaries (hereinafter, the “Group”). The interim condensed consolidated financial statements include the following subsidiaries:

Name	Country of operation	Proportion of ownership interest (%)		Type of operations
		30 June 2026 (unaudited)	31 December 2025	
OJSC International Bank of Azerbaijan	The Republic of Azerbaijan	Parent		Banking
Subsidiaries				
IBA–Moscow LLC	Russian Federation	100.0	100.0	Banking
IBA GEO JSC	The Republic of Georgia	100.0	100.0	None
Azericard LLC	The Republic of Azerbaijan	100.0	100.0	Card processing
International Leasing Company LLC	The Republic of Azerbaijan	100.0	100.0	Leasing
IBA–Invest Investment Company CJSC	The Republic of Azerbaijan	100.0	100.0	Investment
ABB Innovation LLC	The Republic of Azerbaijan	100.0	100.0	Innovation center

As at 30 June 2026 and 31 December 2025 shareholders of the Bank were as follows:

Shareholders	As at 30 June 2026 (unaudited) (%)	As at 31 December 2025 (%)
Ministry of Finance of the Republic of Azerbaijan	88.54	88.54
State Committee on Property Issues of the Republic of Azerbaijan	3.64	3.64
CJSC “Agrarkredit”	0.22	0.22
Others *	7.60	7.60
Total	100.00	100.00

* Other shareholders included minority shareholders holding an interest less than 2% each.

In August 2020, in order to improve business activity of the government-owned organizations, the President of the Republic of Azerbaijan approved decree on establishment of Azerbaijan Investment Holding (“AIH”) and on 5 November 2020, the list of state-owned companies to be transferred to management of Azerbaijan Investment Holding was approved. The transfer of the Bank to management of AIH and the regulation of a number of related issues was approved by the Decree of the President of the Republic of Azerbaijan dated 22 September 2021.

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***2. BASIS OF PREPARATION****General**

The interim condensed consolidated financial statements for the six months ended 30 June 2026 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2025.

Transfer of assets and liabilities of Bank BTB OJSC

During 2026, as part of Agreement on Transfer of Assets and Liabilities with Bank BTB OJSC dated 2 March 2026, certain assets and liabilities were transferred to the Bank, primarily comprising loans to customers, customer deposits, and other related balances.

Management exercised judgement in assessing whether the transferred assets and liabilities constituted a business and concluded that the transaction did not meet the definition of a business combination. This conclusion was primarily based on the fact that only specified assets and liabilities were transferred, without the substantive processes and other elements necessary to constitute a business.

Accordingly, the transferred assets and liabilities were recognised in the Bank's interim condensed consolidated financial statements from the date the Bank obtained the relevant rights and assumed the related obligations and were subsequently accounted for in accordance with the Bank's existing accounting policies.

The carrying value of transferred assets and liabilities were as follows:

In thousands of AZN

Loans to customers	243,713
Property, equipment, and intangible assets	39,869
Other assets	8,398
Total assets	291,980
Customer accounts	(129,205)
Other borrowed funds	(161,747)
Total liabilities	(290,952)

Estimation uncertainty

To the extent that information is available as at 30 June 2026, the Group has reflected revised estimates of expected future cash flows in its expected credit loss ("ECL") assessment (*Note 18*) and estimation of fair values of financial instruments (*Note 21*).

The Group has implemented a new Corporate Rating Model ("the Model") for the current interim reporting period to support credit risk evaluation and provisioning under IFRS 9. The model is applicable to the Corporate segment, in particular large companies and SMEs, and incorporates Financial, Behavioural and Qualitative assessment modules. Based on the relevant data and risk indicators under each module, the Model assigns a credit rating and corresponding Probability of Default (PD) rate to each eligible counterparty, supporting the Bank's assessment and measurement of credit risk and related IFRS 9 provisions.

The change represents a refinement of the estimation technique rather than a change in accounting policy, hence effect of the Model has been applied prospectively from the date of implementation.

The implementation of the Model did not have a material impact on the Group's interim condensed consolidated financial statements.

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)*

2. BASIS OF PREPARATION (continued)**Changes in accounting policies*****New and amended accounting standards and interpretations***

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2025, except for the adoption of new standards effective as of 1 January 2026. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7

In May 2024, the IASB issued *Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments* (the Amendments). The Amendments include:

- Clarifications of the requirements for recognition and derecognition of financial assets and financial liabilities. In particular, a financial liability is derecognised on the 'settlement date' and an accounting policy choice is introduced (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments;
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11

In July 2024, the IASB issued nine narrow scope amendments as part of its periodic maintenance of IFRS Accounting Standards. The amendments include clarifications, simplifications, corrections or changes to improve consistency in IFRS

First-time Adoption of International Financial Reporting Standards, IFRS 7 *Financial Instruments: Disclosures* and its accompanying Guidance on implementing IFRS 7, IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements* and IAS 7 *Statements of Cash Flows*.

The amendments had no impact on the Group's interim condensed consolidated financial statements.

Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7

In December 2024, the IASB issued *Amendments to IFRS 9 and IFRS 7 - Contracts Referencing Nature dependent Electricity*. The amendments apply only to contracts that reference nature-dependent electricity, and they:

- Clarify the application of the 'own-use' requirements for in-scope contracts;
- Amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts;
- Add new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows.

The amendments had no impact on Group's interim condensed consolidated financial statements.

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***3. SEGMENT INFORMATION**

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 *Operating Segments* and other standards that require special disclosures in the form of segmental reporting.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. For managerial purposes, the Group is organized into three operating segments:

- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products;
- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Treasury – comprises interbank lending and borrowings, securities, trading swaps, foreign exchange services, issuance of bonds and promissory notes and other treasury functions.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net profit or loss for the period which in certain respects, as explained in the table below, is not measured differently from net profit or loss for the period in the interim condensed consolidated financial statements.

The following tables present income and profit information regarding the Group's operating segments for the six months ended 30 June 2026 and 2025, respectively:

Six months ended 30 June 2026 (unaudited)	Retail banking	Corporate banking	Treasury	Unallocated	Total
Interest income calculated using the effective interest rate	298,934	183,017	139,298	–	621,249
Interest expense	(96,243)	(79,241)	(55,483)	–	(230,967)
Net interest income	202,691	103,776	83,815	–	390,282
Credit loss expense on interest bearing financial assets	(44,303)	(3,268)	(190)	–	(47,761)
Net interest income after credit loss expense on interest bearing financial assets	158,388	100,508	83,625	–	342,521
Fee and commission income	109,285	56,041	5,051	–	170,377
Fee and commission expense	(87,258)	(2,244)	(5,561)	–	(95,063)
Net gains from operations in foreign currencies:					
-Dealing	34,943	35,763	16,325	–	87,031
-Translation differences	–	–	4,573	–	4,573
Credit loss reversal/(expense) on credit related commitments and other financial assets	–	9,347	(9,282)	–	65
Other impairment reversal	–	3,281	–	–	3,281
Other operating income	–	–	7,473	–	7,473
Operating expenses	(141,531)	(55,956)	(26,150)	(13,822)	(237,459)
Non-interest income/(loss)	(84,561)	46,232	(7,571)	(13,822)	(59,722)
Profit/(loss) before income tax	73,827	146,740	76,054	(13,822)	282,799
Income tax (expense)/benefit	(19,893)	(39,538)	(20,492)	3,724	(76,199)
Net profit/(loss) for the period	53,934	107,202	55,562	(10,098)	206,600

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***3. SEGMENT INFORMATION (continued)**

Six months ended 30 June 2025 (unaudited)	Retail banking	Corporate banking	Treasury	Unallocated	Total
Interest income	244,998	156,719	173,721	–	575,438
Interest expense	(68,094)	(82,500)	(48,700)	–	(199,294)
Net interest income	176,904	74,219	125,021	–	376,144
Credit loss (expense)/reversal on interest bearing financial assets	(32,111)	575	110	–	(31,426)
Net interest income after credit loss expense on interest bearing financial assets	144,793	74,794	125,131	–	344,718
Fee and commission income	82,061	40,892	9,748	–	132,701
Fee and commission expense	(76,629)	(7,362)	(4,542)	–	(88,533)
Net gains from operations in foreign currencies:					
-Dealing	21,181	33,520	32,286	–	86,987
-Translation differences	–	–	(1,459)	–	(1,459)
Credit loss expense on credit related commitments and other financial assets	–	(5,236)	(6,597)	–	(11,833)
Other impairment charge	–	(1,008)	–	–	(1,008)
Other operating income	–	–	2,413	–	2,413
Operating expenses	(109,550)	(49,631)	(20,960)	(20,040)	(200,181)
Non-interest (loss)/ income	(82,937)	11,175	10,889	(20,040)	(80,913)
Profit/(loss) before income tax	61,856	85,969	136,020	(20,040)	263,805
Income tax (expense)/benefit	(13,835)	(19,228)	(30,423)	4,482	(59,004)
Net profit/(loss) for the period	48,021	66,741	105,597	(15,558)	204,801

Segment assets	Retail banking	Corporate banking	Treasury	Unallocated	Total
As at 30 June 2026 (unaudited)	4,065,618	3,762,494	8,044,957	30,405	15,903,474
As at 31 December 2025	3,674,051	3,613,504	6,956,309	22,623	14,266,487

Segment liabilities	Retail banking	Corporate banking	Treasury	Unallocated	Total
As at 30 June 2026 (unaudited)	4,536,109	6,953,939	1,748,699	105,841	13,344,588
As at 31 December 2025	4,041,449	6,365,329	1,195,130	104,864	11,706,772

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

<i>in thousands of Azerbaijani manats</i>	30 June 2026 (unaudited)	31 December 2025
Cash on hand	509,846	531,851
Current accounts with central banks	588,765	51,890
Correspondent accounts and time deposits with original maturity up to 90 days	2,206,444	1,145,786
Cash and cash equivalents	3,305,055	1,729,527

As at 30 June 2026, the Group had a concentration of correspondent accounts and time deposits with original maturity up to 90 days represented by AZN 2,090,124 (31 December 2025: AZN 1,117,108) in fourteen (31 December 2025: fifteen) largest banks and other financial institutions.

Cash equivalents in the amount of AZN 2,700,926 are allocated to Stage 1 and cash equivalents in the amount of AZN 94,283 are allocated to Stage 2 (31 December 2025: AZN 1,109,892 to Stage 1 and AZN 87,784 to Stage 2). The allowance for ECL of cash equivalents of the Group rounds to zero in both periods reported.

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***5. MANDATORY CASH BALANCES WITH CENTRAL BANKS**

As at 30 June 2026 and 31 December 2025 credit institutions in the Republic of Azerbaijan were required to maintain a non-interest earning cash deposit (obligatory reserve with restriction on withdrawal) with the CBAR according to the following differentiation criteria:

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

Since the Bank's average deposits from legal entities both in local and foreign currencies exceed AZN 1,000,000 and the proportion of connected deposits exceed 20%, the applicable mandatory reserve rate was 20% for the Bank's deposits as at 30 June 2026 (31 December 2025: 20%).

6. DUE FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Due from banks and other financial institutions comprise:

<i>in thousands of Azerbaijani manats</i>	30 June 2026 (unaudited)	31 December 2025
Loans to non-resident banks	37,502	47,187
Time deposits with resident banks	27,353	59,252
Loans to resident banks and other financial institutions	15,476	20,555
Blocked accounts with non-resident banks	1,205	1,222
Less: allowance for ECL	(2,520)	(2,856)
Due from banks and other financial institutions	79,016	125,360

The movement in allowance for ECL of due from banks and other financial institutions was insignificant in both reporting periods.

7. INVESTMENT SECURITIES

Investment securities comprise:

<i>in thousands of Azerbaijani manats</i>	30 June 2026 (unaudited)	31 December 2025
Debt securities at amortized cost		
Corporate bonds	1,233,500	1,343,876
Government bonds	636,085	1,035,229
Notes issued by the CBAR	31,928	–
Government bonds pledged under repurchase agreements	542,003	319,751
Less: allowance for ECL	(3,204)	(3,152)
	2,440,312	2,695,704
Debt securities at FVOCI		
Government bonds	302,665	307,309
Corporate bonds	7,226	130,639
Government bonds pledged under repurchase agreements	–	7,009
	309,891	444,957
Debt securities at FVPL		
Corporate bonds	18,676	36,481
	18,676	36,481
Equity securities at FVOCI		
Corporate shares	128,077	134,061
	128,077	134,061
Investment securities	2,896,956	3,311,203

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***7. INVESTMENT SECURITIES (continued)**

In the first half of 30 June 2026, the Group sold investment securities measured at amortized cost with a carrying amount of AZN 37,402. The sales were undertaken in response to temporary liquidity requirements and represented infrequent and non-recurring transactions within the normal course of treasury management activities. The sales did not result in any material gain or loss and were not considered inconsistent with the Group's business model of holding assets to collect contractual cash flows.

Debt securities with a gross carrying amount of AZN 2,753,407 as at 30 June 2026 (31 December 2025: AZN 3,139,053), representing 100% of the Group's debt securities portfolio subject to ECL assessment (31 December 2025: 99.8%), were classified within Stage 1. No debt securities were classified within Stage 2 as at 30 June 2026 (31 December 2025: AZN 4,760).

As at 30 June 2026, coupon payments in the amount of AZN 17,000 on corporate bonds of CJSC "Agrarkredit" with a nominal amount of AZN 700,000 was more than 90 days past due. The Group rebutted the IFRS 9 presumption that a financial asset that is more than 90 days past due has experienced a significant increase in credit risk, as the delay in coupon payments was assessed to be administrative and temporary in nature and not indicative of deterioration in the issuer's creditworthiness or financial difficulty. The overdue balance was subsequently settled in full and, accordingly, the exposure remained classified in Stage 1.

As at 30 June 2026, allowance for ECL in the amount of AZN 3,941 was allocated to Stage 1 (31 December 2025: allowance for ECL in the amount of AZN 3,071 and AZN 320 was allocated to Stage 1 and Stage 2, respectively). The movement in allowance for ECL of investment securities was insignificant in both reporting periods.

8. LOANS TO CUSTOMERS

Loans to customers comprise:

<i>in thousands of Azerbaijani manats</i>	30 June 2026 (unaudited)	31 December 2025
Loans to legal entities	3,763,711	3,634,288
Loans to individuals	3,954,220	3,532,948
Loans to customers, gross	7,717,931	7,167,236
Less: allowance for ECL	(346,051)	(298,411)
Loans to customers	7,371,880	6,868,825

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2026

(All figures are in thousands of Azerbaijani manats, unless stated otherwise)

8. LOANS TO CUSTOMERS (continued)

Allowance for ECL of loans to customers

An analysis of changes in allowance for ECL in relation to loans to legal entities and loans to individuals during the period ended 30 June 2026 is as follows:

Loans to legal entities	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2026	(33,208)	(5,356)	(71,272)	(109,836)
<i>Movements with impact on ECL (charge)/reversal in profit or loss</i>				
New assets originated or purchased	(13,388)	–	–	(13,388)
Change in accrued interest balance	(552)	(99)	(2,183)	(2,834)
Assets repaid	10,264	820	10,087	21,171
Transfer to 12-month ECL	(533)	90	443	–
Transfer to lifetime ECL not credit-impaired	126	(129)	3	–
Transfer to lifetime ECL credit-impaired	89	2,787	(2,876)	–
Changes to inputs used for ECL calculations	3,758	1,412	1,457	6,627
Impact on period end ECL of exposures transferred between stages during the period	522	(2,812)	(12,554)	(14,844)
<i>Movements without impact on ECL (charge)/reversal in profit or loss</i>				
Unwind of discount	–	–	(3,614)	(3,614)
ECL as at 30 June 2026 (unaudited)	(32,922)	(3,287)	(80,509)	(116,718)
Loans to individuals	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2026	(33,501)	(13,679)	(141,395)	(188,575)
<i>Movements with impact on ECL (charge)/reversal in profit or loss</i>				
New assets originated or purchased	(14,242)	–	–	(14,242)
Change in accrued interest balance	(2,529)	(141)	2,319	(351)
Assets repaid	10,870	2,951	11,489	25,310
Transfer to 12-month ECL	(7,726)	3,546	4,180	–
Transfer to lifetime ECL not credit-impaired	997	(3,733)	2,736	–
Transfer to lifetime ECL credit-impaired	1,041	4,827	(5,868)	–
Changes to inputs used for ECL calculations	(3,398)	(320)	(6,428)	(10,146)
Impact on period end ECL of exposures transferred between stages during the period	7,143	(13,515)	(38,502)	(44,874)
<i>Movements without impact on ECL (charge)/reversal in profit or loss</i>				
Unwind of discount	–	–	(3,820)	(3,820)
Write-offs	–	–	7,365	7,365
ECL as at 30 June 2026 (unaudited)	(41,345)	(20,064)	(167,924)	(229,333)

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the six months ended 30 June 2026

(All figures are in thousands of Azerbaijani manats, unless stated otherwise)

8. LOANS TO CUSTOMERS (continued)

Allowance for ECL of loans to customers (continued)

An analysis of changes in the ECL in relation to loans to legal entities and loans to individuals during the period ended 30 June 2025 is as follows:

Loans to legal entities	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(39,444)	(1,441)	(41,589)	(82,474)
<i>Movements with impact on ECL (charge)/reversal in profit or loss</i>				
New assets originated or purchased	(12,754)	–	–	(12,754)
Change in accrued interest balance	(121)	(35)	(5,355)	(5,511)
Assets repaid	7,650	903	3,484	12,037
Transfer to 12-month ECL	(136)	19	117	–
Transfer to lifetime ECL not credit-impaired	243	(278)	35	–
Transfer to lifetime ECL credit-impaired	1,259	412	(1,671)	–
Changes to inputs used for ECL calculations	8,700	68	4,179	12,947
Impact on period end ECL of exposures transferred between stages during the period	92	(1,764)	(4,472)	(6,144)
<i>Movements without impact on ECL (charge)/reversal in profit or loss</i>				
Unwind of discount	–	–	(2,597)	(2,597)
Write-offs	–	–	2,398	2,398
ECL as at 30 June 2025 (unaudited)	(34,511)	(2,116)	(45,471)	(82,098)
Loans to individuals	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(31,839)	(10,951)	(115,768)	(158,558)
<i>Movements with impact on ECL (charge)/reversal in profit or loss</i>				
New assets originated or purchased	(10,450)	–	–	(10,450)
Change in accrued interest balance	(333)	(175)	168	(340)
Assets repaid	6,938	2,071	10,037	19,046
Transfer to 12-month ECL	(5,421)	2,791	2,630	–
Transfer to lifetime ECL not credit-impaired	904	(2,208)	1,304	–
Transfer to lifetime ECL credit-impaired	1,053	4,891	(5,944)	–
Changes to inputs used for ECL calculations	(2,723)	111	(1,938)	(4,550)
Impact on period end ECL of exposures transferred between stages during the period	4,967	(8,551)	(32,233)	(35,817)
<i>Movements without impact on ECL (charge)/reversal in profit or loss</i>				
Recoveries of amounts previously written off	–	–	(90)	(90)
Unwind of discount	–	–	(3,331)	(3,331)
Write-offs	–	–	1,860	1,860
ECL as at 30 June 2025 (unaudited)	(36,904)	(12,021)	(143,305)	(192,230)

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***9. OTHER ASSETS AND LIABILITIES**

Other assets comprise:

<i>in thousands of Azerbaijani manats</i>	30 June 2026 (unaudited)	31 December 2025
Other financial assets		
Funds in settlement	146,253	159,843
Amounts blocked in clearing houses	51,738	49,270
Accrued commission and receivables from settlement of commitments and contingencies	9,654	10,322
Less: allowance for ECL	(43,645)	(34,363)
	164,000	185,072
Other non-financial assets		
Prepayments	28,327	22,425
Right-of-use assets	22,120	21,201
Deferred expenses	9,185	8,410
Reposessed collateral	4,190	4,172
	63,822	56,208
Other assets	227,822	241,280

In 2024, IBA-Moscow LLC entered into a currency swap transaction in the amount of USD 24,357 (AZN 41,406) with a foreign counterparty bank. The transaction is currently blocked and under review by the Office of Foreign Assets Control ("OFAC") and as at 30 June 2026, the associated funds remain pending clearance. The related ECL allowance was recorded in the amount of AZN 32,779 as at 30 June 2026 (31 December 2025: AZN 24,350). Management is taking necessary actions to facilitate the clearance of these funds.

Other liabilities comprise:

<i>in thousands of Azerbaijani manats</i>	30 June 2026 (unaudited)	31 December 2025
Other financial liabilities		
Funds in settlement	109,947	101,754
Lease liabilities	21,992	23,420
Allowance for ECL on credit-related commitments and contingencies	15,762	25,109
Dividends payable to shareholders	59	59
Allowance for ECL on other commitments and contingencies	4,954	8,235
	152,714	158,577
Other non-financial liabilities		
Payables to employees	52,960	61,020
Payables to local budget	9,496	15,603
Obligations for legal claims	6,700	6,700
Deferred revenue on plastic cards	10,454	10,313
Taxes other than income tax	12,818	13,549
	92,428	107,185
Other liabilities	245,142	265,762

10. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions comprise:

<i>in thousands of Azerbaijani manats</i>	30 June 2026 (unaudited)	31 December 2025
Correspondent accounts of non-resident banks	203,464	290,746
Time deposits of non-resident banks and other financial institutions	228,128	21,100
Correspondent accounts of resident banks	230,412	84,251
Time deposits of resident banks and other financial institutions	148,763	106,886
Due to banks and other financial institutions	810,767	502,983

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***11. CUSTOMER ACCOUNTS**

Customer accounts comprise:

<i>in thousands of Azerbaijani manats</i>	30 June 2026 (unaudited)	31 December 2025
Current/settlement accounts	4,708,793	4,441,220
Term deposits	1,697,333	1,499,715
Restricted customer deposits	213,046	299,728
Legal entities	6,619,172	6,240,663
Current/settlement accounts	1,798,377	1,645,738
Term deposits	2,223,371	1,827,456
Individuals	4,021,748	3,473,194
Customer accounts	10,640,920	9,713,857

As at 30 June 2026, customer accounts included balances with the ten largest customers in the amount of AZN 2,031,031 or 19% of the total customer accounts portfolio (31 December 2025: AZN 2,326,370 or 24% of the total customer accounts portfolio).

12. OTHER BORROWED FUNDS

Other borrowed funds comprise:

<i>in thousands of Azerbaijani manats</i>	30 June 2026 (unaudited)	31 December 2025
Term borrowings from non-resident financial institutions	391,902	340,919
Payables under repurchase agreements	535,601	320,908
Azerbaijan Mortgage and Credit Guarantee Fund (MCGF)	378,566	201,186
Entrepreneurship Development Fund of the Republic of Azerbaijan	105,287	111,096
Other borrowed funds	1,411,356	974,109

In 2025, the Group secured a syndicated loan in the amount of USD 200,000 (AZN 340,000), maturing in May 2026. Upon maturity, the facility was extended until May 2027, and the amount was increased to USD 230,000 (AZN 391,000) in 2026.

As at 30 June 2026, debt securities at amortised cost in the amount of AZN 542,003 are pledged as collateral for repurchase agreements with legal entities other than banks and other financial institutions (31 December 2025: AZN 319,751 debt securities at amortized cost and AZN 7,009 debt securities at FVOCI).

13. DEBT SECURITIES ISSUED

As at 30 June 2026, the Group had one class of local bonds issued in December 2024, with a total nominal value of AZN 100,000 and a coupon rate of 11% p.a., maturing in December 2026.

During 2026, the Group additionally issued local bonds with a total nominal value of AZN 30,000 in several tranches. The securities carry coupon rates ranging from 9% to 11% p.a. and have maturities of between 1 to 2 years. The issuances were conducted through public placements at the Baku Stock Exchange.

The Group is not obliged to comply with any financial or non-financial covenants in relation to these bonds.

As at 30 June 2026, the outstanding balance of local bonds amounted to AZN 130,562 (31 December 2025: AZN 100,368).

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***14. INCOME TAX EXPENSE**

The income tax expense comprises:

<i>in thousands of Azerbaijani manats</i>	For the six months ended	
	30 June 2026 (unaudited)	30 June 2025 (unaudited)
Current tax charge	(71,967)	(56,591)
Deferred tax benefit/(charge)	(2,817)	(7,226)
Less: deferred tax recognized directly in other comprehensive income	(1,415)	4,813
Income tax expense	(76,199)	(59,004)

15. EQUITY

The Group's share capital comprises the following:

Ordinary shares	Number of paid-in shares (in thousands)	Share capital
As at 1 January 2025	4,745,449	1,281,271
As at 31 December 2025	4,745,449	1,281,271
As at 30 June 2026 (unaudited)	4,745,449	1,281,271

Each ordinary share has nominal value of AZN 0.27 as at 30 June 2026 and 31 December 2025 and ranks equally. Each share carries one vote.

On 7 May 2026, in accordance with a resolution of the Annual General Meeting of Shareholders, the Group declared dividends in the amount of AZN 200,000 (30 June 2025: AZN 200,000). The dividend per share was AZN 0.04 (30 June 2025: AZN 0.04).

Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of the basic and diluted earnings per share were as follows:

<i>in thousands of Azerbaijani manats</i>	30 June 2026 (unaudited)	30 June 2025 (unaudited)
Net profit for the period attributable to shareholders of the Group	206,600	204,801
Weighted average number of ordinary shares in issue (in thousands)	4,745,449	4,745,449
Earnings per share – basic and diluted	0.04	0.04

The Group has no dilutive potential ordinary shares, therefore, diluted earnings per share are equal to basic earnings per share.

16. BALANCES WITH CJSC “AGRARKREDIT”

During 2015–2019, the Government of the Republic of Azerbaijan was taking a number of steps to strengthen the Group's capital position and the quality of its assets. As a result of restructuring of the Group's assets, the Group received promissory notes of CJSC “Agrarkredit”, one of its shareholders, in exchange of transfer of problematic assets. The value of promissory notes received from CJSC “Agrarkredit” in 2017 exceeded the gross nominal value of corresponding problematic assets transferred, for which the Payables to CJSC “Agrarkredit” was recognized in the interim condensed consolidated statement of financial position and held as security against defaults in certain guarantees and letters of credit (Note 17).

As at 30 June 2026, receivables from CJSC “Agrarkredit” (31 December 2025: AZN 50,636) and payables to CJSC “Agrarkredit” (31 December 2025: AZN 50,896) amounted to AZN 453 and nil, respectively. As at 30 June 2026, allowance for ECL on receivables from CJSC “Agrarkredit” rounds to zero. (31 December 2025: AZN 24).

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)*

16. BALANCES WITH CJSC “AGRARKREDIT” (continued)

During 2026, the Group offset full amount of dividends payable to CJSC “Agrarkredit” in the amount of AZN 440 (31 December 2025: 440) resulting from the dividend declaration of 7 May 2026, against promissory notes receivable from CJSC “Agrarkredit”.

17. COMMITMENTS AND CONTINGENCIES**Operating environment**

The Group conducts majority its operations in the Republic of Azerbaijan and in the Russian Federation.

The Republic of Azerbaijan

In the first half of 2026, the Azerbaijani economy continued to navigate through the challenges and opportunities arising from fluctuating oil and gas prices. The government of the Republic of Azerbaijan sustained its efforts in implementing major economic and social reforms aimed at diversifying the economy and reducing dependence on the oil and gas sector.

Economic performance

In the first half of 2026, Azerbaijan’s GDP grew by 0.8%, a notable decrease from 1.4% growth in 2025. The oil and gas sector shrank slightly by 0.7%, while the non-oil sector experienced a stronger growth rate of 1.5%. This progress is primarily driven by the government investments in the non-oil sector, improvements in the business environment, and rising consumer spending. Overall economic performance continues to reflect the government’s ongoing efforts to diversify the economy.

Looking ahead, the International Monetary Fund (“IMF”) projects Azerbaijan’s GDP to grow by approximately 2.1% in 2026 and 2.5% in 2027. These projections highlight expectations of continued resilience, supported by diversification efforts, consistent non-hydrocarbon sector growth, and sustained public investment, even though the country remains vulnerable to fluctuations in global oil and gas prices, which continue to pose risks to the government budget, balance of payments, and currency stability.

Monetary policy

In February 2026, the CBAR reduced the refinancing rate by 25 basis points, from 6.75% at 31 December 2025 to 6.50%, considering actual and forecast inflation, developments in the external environment and domestic economic conditions. The refinancing rate remained at 6.50% throughout the remainder of the first half of 2026. This adjustment aims to support economic growth while maintaining control over inflation. Annual average inflation rate increased from 5.6% in 2025 to around 5.7% in the first half of 2026 yet remained within the annual target range of $4\% \pm 2\%$.

In the first half of 2026, the Azerbaijani manat demonstrated resilience to major currency fluctuations, supported by stable macroeconomic indicators and effective monetary and fiscal policies. Additionally, Azerbaijan’s strategic foreign exchange reserves grew by approximately 0.8%, reaching USD 85.8 billion by the end of the first half of 2026 (31 December 2025: 21% and USD 85 billion). Throughout the first half of 2026 and 2025, the Azerbaijani manat remained stable at 1.7000 AZN to 1 USD.

Credit Rating Assessment

In July 2025, Moody’s Ratings upgraded the Republic of Azerbaijan’s long-term issuer and foreign-currency ratings to “Baa3” with a Positive outlook, bringing Azerbaijan to investment-grade status under Moody’s rating scale. As of 30 June 2026, the rating and outlook remained unchanged. In June 2026, Fitch Ratings affirmed long-term foreign-currency Issuer Default Rating (“IDR”) of the Republic of Azerbaijan at ‘BBB-’ with a stable outlook. This reflects improved fiscal and external positions, supported by prudent economic policies and transport growth and regional development driving diversification, a solid balance sheet, a low debt burden with high debt affordability, and continued macroeconomic stability in the Republic of Azerbaijan.

The Russian Federation

On 24 February 2022 a military conflict emerged between Russia and Ukraine. Following this, a number of western and other countries began applying sanctions towards Russia. The sanctions were wide-ranging, targeting banks, businesses, monetary exchanges, bank transfers, exports, and imports. Since the start of the conflict, there has been a significant decline in values of Russian equity and debt securities in markets.

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)*

17. COMMITMENTS AND CONTINGENCIES (continued)**Operating environment (continued)*****The Russian Federation (continued)***

The Group has a fully owned subsidiary bank operating in Russia – IBA-Moscow LLC. As at 30 June 2026, IBA-Moscow LLC had total assets in the amount of AZN 670,425 (31 December 2025: AZN 716,545) and liabilities in the amount of AZN 487,740 (31 December 2025: AZN 483,946), prior to intercompany eliminations.

The official exchange rate of the Russian ruble to AZN was 0.0221 AZN per RUB as at 30 June 2026 (31 December 2025: 0.0217 AZN per RUB). The consolidation of IBA-Moscow LLC's financial statements resulted in a translation loss of AZN 1,766 recognized in other comprehensive income for the six-month period ended 30 June 2026 (30 June 2025: AZN 50,055 gain).

As at 30 June 2026, the Bank had funds in the amount of AZN 776 placed in a correspondent account in IBA-Moscow LLC (31 December 2025: AZN 22,706) and, in turn, IBA-Moscow LLC had AZN 183,654 placed in a correspondent account in the Bank (31 December 2025: AZN 140,279). There were no restrictions preventing the Bank from using funds in these correspondent accounts, including their withdrawal and conversion, both at reporting date and as at the date of issuance of these interim condensed consolidated financial statements.

As the conflict is ongoing, it is impossible to reliably assess the impact this may have on the Group's business as there is uncertainty over the magnitude of the impact on the economy in general.

Legal

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

Taxation

Tax legislation in Azerbaijan is subject to varying interpretations, and changes can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities. Recent events within the Republic of Azerbaijan suggest that the tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of the Bank that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. The last tax inspection covered the year ended 31 December 2018.

Management's interpretation of the relevant legislation as at 30 June 2026 and 31 December 2025 is appropriate and the Bank's tax, currency and customs positions will be sustained.

Compliance with the CBAR ratios

The CBAR requires banks to maintain certain prudential ratios computed based on statutory financial statements. As at both reporting dates, the Bank was in compliance with these ratios.

Financial commitments and contingencies

The Group provides guarantees and letters of credit to customers with the primary purpose of ensuring that funds are available to customers as required. Guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate, or cash deposits and, therefore, carry less risk than direct lending.

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***17. COMMITMENTS AND CONTINGENCIES (continued)****Credit related and other commitments**

The Group's commitments and contingencies comprise:

	30 June 2026 (unaudited)	31 December 2025
Commitments and contingencies		
Guarantees	2,545,002	2,726,495
Undrawn loan commitments	779,203	683,950
Letters of credit	308,688	83,831
Less: allowance for ECL	(20,716)	(33,344)
Commitments and contingencies	3,612,177	3,460,932
Cash held as security against guarantees and letters of credit	(51,937)	(86,202)
Cash received from CJSC "Agrarkredit" held as security against guarantees and letters of credit	-	(50,896)

An analysis of changes in the ECL in relation to commitments and contingencies during the period ended 30 June 2026 is as follows:

Financial guarantees	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2026	(15,539)	(2,069)	(5)	(17,613)
New exposures originated or purchased	(2,436)	-	-	(2,436)
Exposures derecognised or matured	6,385	-	-	6,385
Transfer to 12-month ECL	(500)	500	-	-
Transfer to lifetime ECL credit-impaired	-	-	-	-
Net remeasurement of ECL	4,239	1,350	(1)	5,588
ECL as at 30 June 2026 (unaudited)	(7,851)	(219)	(6)	(8,076)
Letters of credit	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2026	(206)	-	-	(206)
New assets originated or purchased	(497)	-	-	(497)
Exposures derecognised or matured	92	-	-	92
Net remeasurement of ECL	74	-	-	74
ECL as at 30 June 2026 (unaudited)	(537)	-	-	(537)
Undrawn commitments	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2026	(6,550)	(134)	(606)	(7,290)
New exposures originated or purchased	(1,546)	-	-	(1,546)
Exposures derecognised or matured	436	28	99	563
Transfer to 12-month ECL	(719)	164	555	-
Transfer to lifetime ECL not credit-impaired	37	(101)	64	-
Transfer to lifetime ECL credit-impaired	36	49	(85)	-
Net remeasurement of ECL	2,001	(477)	(400)	1,124
ECL as at 30 June 2026 (unaudited)	(6,305)	(471)	(373)	(7,149)

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***17. COMMITMENTS AND CONTINGENCIES (continued)****Credit related and other commitments (continued)**

An analysis of changes in the ECL in relation to commitments and contingencies during the period ended 30 June 2025 is as follows:

Financial guarantees	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(9,337)	–	(99)	(9,436)
New exposures originated or purchased	(6,594)	–	–	(6,594)
Exposures derecognised or matured	4,211	–	42	4,253
Transfer to 12-month ECL	–	–	–	–
Transfer to lifetime ECL credit-impaired	34	–	(34)	–
Net remeasurement of ECL	652	–	(108)	544
ECL as at 30 June 2025 (unaudited)	(11,034)	–	(199)	(11,233)

Letters of credit	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(51)	–	–	(51)
New assets originated or purchased	(7)	–	–	(7)
Exposures derecognised or matured	9	–	–	9
Net remeasurement of ECL	26	–	–	26
ECL as at 30 June 2025 (unaudited)	(23)	–	–	(23)

Undrawn commitments	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(4,960)	(239)	(8)	(5,207)
New exposures originated or purchased	(2,831)	–	–	(2,831)
Exposures derecognised or matured	2,032	215	–	2,247
Transfer to 12-month ECL	(47)	47	–	–
Transfer to lifetime ECL not credit-impaired	226	(258)	32	–
Transfer to lifetime ECL credit-impaired	53	–	(53)	–
Net remeasurement of ECL	(111)	(399)	(149)	(659)
ECL as at 30 June 2025 (unaudited)	(5,638)	(634)	(178)	(6,450)

18. CREDIT LOSS EXPENSE AND OTHER IMPAIRMENT AND PROVISIONS

An analysis of changes in ECLs during the period ended 30 June 2026 (unaudited) is as follows:

<i>in thousands of Azerbaijani manats</i>	Note	Stage 1	Stage 2	Stage 3	Total
Loans to customers	8	(7,558)	(4,316)	(35,697)	(47,571)
Due from banks and other financial institutions	6	336	–	–	336
Debt securities at amortised cost	7	(52)	–	–	(52)
Debt securities at FVOCI	7	(818)	320	–	(498)
Receivables from CJSC "Agrarkredit"	16	24	–	–	24
Credit loss expense on interest bearing financial assets (unaudited)		(8,068)	(3,996)	(35,697)	(47,761)
Financial guarantees	17	7,688	1,850	(1)	9,537
Letters of credit	17	(331)	–	–	(331)
Undrawn loan commitments	17	245	(337)	233	141
Credit loss reversal on credit-related commitments (unaudited)		7,602	1,513	232	9,347
Other financial assets	9	294	–	(9,576)	(9,282)
Credit loss reversal/(expense) on credit-related commitments and other financial assets (unaudited)		7,896	1,513	(9,343)	65
Total credit loss expense (unaudited)		(172)	(2,483)	(45,040)	(47,696)

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***18. CREDIT LOSS EXPENSE AND OTHER IMPAIRMENT AND PROVISIONS (continued)**

An analysis of changes in ECLs during the period ended 30 June 2025 (unaudited) is as follows:

<i>in thousands of Azerbaijani manats</i>	Note	Stage 1	Stage 2	Stage 3	Total
Loans to customers	8	132	(1,745)	(29,659)	(31,536)
Due from banks and other financial institutions	6	(1,044)	–	–	(1,044)
Debt securities at amortised cost	7	(61)	–	–	(61)
Debt securities at FVOCI	7	303	(57)	–	246
Receivables from CJSC “Agrarkredit”	16	969	–	–	969
Credit loss reversal/(expense) on interest bearing financial assets (unaudited)		35	(1,802)	(29,659)	(31,426)
Financial guarantees	17	(1,697)	–	(100)	(1,797)
Letters of credit	17	28	–	–	28
Undrawn loan commitments	17	(678)	(395)	(170)	(1,243)
Credit loss expense on credit-related commitments (unaudited)		(2,347)	(395)	(270)	(3,012)
Other financial assets	9	(814)	–	(9,635)	(8,821)
Credit loss expense on credit-related commitments and other financial assets (unaudited)		(1,533)	(395)	(9,905)	(11,833)
Total credit loss expense (unaudited)		(1,498)	(2,197)	(39,564)	(43,259)

Provision for ECL on performance guarantees is recorded within other non-financial liabilities as at 30 June 2026 (Note 9):

<i>in thousands of Azerbaijani manats</i>	Performance guarantees	Total
31 December 2024	(3,146)	(3,146)
Charge	(1,008)	(1,008)
30 June 2025 (unaudited)	(4,154)	(4,154)
31 December 2025	(8,235)	(8,235)
Reversal	3,281	3,281
30 June 2026 (unaudited)	(4,954)	(4,954)

19. NET FEE AND COMMISSION INCOME

Net fee and commission income comprise:

<i>in thousands of Azerbaijani manats</i>	For the six months ended	
	30 June 2026 (unaudited)	30 June 2025 (unaudited)
Plastic cards operations	113,440	86,852
Settlement transactions	23,494	11,649
Servicing guarantees and letters of credit	19,796	23,824
Cash transactions	3,787	4,081
Others	9,860	6,295
Fee and commission income	170,377	132,701
Plastic cards operations	(74,561)	(70,241)
Settlement transactions	(5,505)	(6,922)
Cash transactions	(2,388)	(2,917)
Others	(12,609)	(8,453)
Fee and commission expense	(95,063)	(88,533)
Net fee and commission income	75,314	44,168

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***20. OPERATING EXPENSES**

Operating expenses comprise:

<i>in thousands of Azerbaijani manats</i>	For the six months ended	
	30 June 2026 (unaudited)	30 June 2025 (unaudited)
Staff costs	(157,556)	(132,027)
Depreciation of premises and equipment	(19,890)	(14,596)
Fees paid to deposit insurance funds	(11,539)	(8,834)
Software maintenance	(8,942)	(7,590)
Amortization of software and other intangible assets	(5,379)	(4,418)
Sponsorship fee	(5,349)	(4,714)
Consultancy and other professional services	(3,714)	(6,005)
Communication	(3,708)	(3,975)
Advertising and marketing services	(3,553)	(4,002)
Premises and property maintenance	(2,581)	(2,933)
Outsourcing and security	(2,512)	(2,287)
Customs duties and taxes other than on income	(1,803)	(1,468)
Other	(10,933)	(7,332)
Total operating expenses	(237,459)	(200,181)

21. FAIR VALUES OF FINANCIAL INSTRUMENTS**Fair value hierarchy**

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments measured at fair value measurement at the end of both reporting periods by levels of the fair value hierarchy:

In thousands of Azerbaijani manats	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value					
Debt securities at FVOCI	30 June 2026 (unaudited)	298,631	11,260	–	309,891
Debt securities at FVPL	30 June 2026 (unaudited)	18,676	–	–	18,676
Equity securities at FVOCI	30 June 2026 (unaudited)	128,077	–	–	128,077
Assets for which fair values are disclosed					
Debt securities at amortised cost	30 June 2026 (unaudited)	809,385	934,147	717,598	2,461,130
Loans to customers	30 June 2026 (unaudited)	–	480,894	6,730,261	7,211,155
Due from banks and other financial Institutions	30 June 2026 (unaudited)	–	–	79,016	79,016
Other financial assets	30 June 2026 (unaudited)	–	–	164,000	164,000

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***21. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

<i>In thousands of Azerbaijani manats</i>	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Liabilities for which fair values are disclosed					
Customer accounts	30 June 2026 (unaudited)	–	6,720,216	3,933,381	10,653,597
Due to banks and other financial institutions	30 June 2026 (unaudited)	–	433,876	376,891	810,767
Other borrowed funds	30 June 2026 (unaudited)	–	1,411,356	–	1,411,356
Debt securities issued	30 June 2026 (unaudited)	130,562	–	–	130,562
Other financial liabilities	30 June 2026 (unaudited)	–	–	152,714	152,714

In thousands of Azerbaijani manats	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets measured at fair value					
Debt securities at FVOCI	31 December 2025	428,740	16,217	–	444,957
Debt securities at FVPL	31 December 2025	36,481	–	–	36,481
Equity securities at FVOCI	31 December 2025	134,061	–	–	134,061
Assets for which fair values are disclosed					
Debt securities at amortised cost	31 December 2025	1,283,424	714,817	708,747	2,706,988
Loans to customers	31 December 2025	–	303,574	6,477,114	6,780,688
Due from banks and other financial Institutions	31 December 2025	–	–	125,360	125,360
Receivable from CJSC “Agrarkredit”	31 December 2025	–	–	50,612	50,612
Other financial assets	31 December 2025	–	–	185,072	185,072

<i>In thousands of Azerbaijani manats</i>	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Liabilities for which fair values are disclosed					
Customer accounts	31 December 2025	–	6,386,360	3,337,757	9,724,117
Due to banks and other financial institutions	31 December 2025	–	374,997	127,986	502,983
Other borrowed funds	31 December 2025	–	974,109	–	974,109
Debt securities issued	31 December 2025	100,368	–	–	100,368
Payables to CJSC “Agrarkredit”	31 December 2025	–	–	50,896	50,896
Other financial liabilities	31 December 2025	–	–	158,577	158,577

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***21. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****Transfers between Level 1 and Level 2**

<i>In thousands of AZN</i>		30 June 2026 (unaudited)	30 June 2025 (unaudited)
Transfers from Level 1 to Level 2	Investment securities at FVOCI	4,203	16,064
Transfers from Level 2 to Level 1	Investment securities at FVOCI	–	11,588

During the first half of 2026 and 2025, investment securities were transferred from Level 1 to Level 2, as active market prices for those securities were not available during corresponding prior period and fair values were consequently obtained using valuation techniques using observable market inputs.

During the first half of 2025, investment securities were transferred from Level 2 to Level 1, due to active trade of these securities, which was not observed during corresponding prior period, and fair values were consequently obtained using quoted prices in active market.

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the interim condensed consolidated statement of financial position. The table does not include non-financial assets and non-financial liabilities.

<i>in thousands of Azerbaijani manats</i>	Carrying value 30 June 2026 (unaudited)	Fair value 30 June 2026 (unaudited)	Carrying value 31 December 2025	Fair value 31 December 2025
Financial assets				
Cash and cash equivalents	3,305,055	3,305,055	1,729,527	1,729,527
Mandatory cash balances with central banks	1,698,611	1,698,611	1,653,879	1,653,879
Due from banks and other financial institutions	79,016	79,016	125,360	125,360
Debt securities at amortized cost	2,440,312	2,461,130	2,695,704	2,706,988
Loans to customers	7,371,880	7,211,155	6,868,825	6,780,688
Receivables from CJSC "Agrarkredit"	453	453	50,612	50,612
Other financial assets	164,000	164,000	185,072	185,072
Financial liabilities				
Due to banks and other financial institutions	810,767	810,767	502,983	502,983
Customer accounts	10,640,920	10,653,597	9,713,857	9,724,117
Payables to CJSC "Agrarkredit"	–	–	50,896	50,896
Other borrowed funds	1,411,356	1,411,356	974,109	974,109
Debt securities issued	130,562	130,562	100,368	100,368
Other financial liabilities	152,714	152,714	158,577	158,577

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

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)*

21. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**Transfers between Level 1 and Level 2 (continued)***Fixed rate financial instruments*

The fair value of fixed rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Investment securities

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

22. RELATED PARTY DISCLOSURES

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be affected on the same terms, conditions and amounts as transactions between unrelated parties.

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***22. RELATED PARTY DISCLOSURES (continued)**

The related party balances comprise:

<i>in thousands of Azerbaijani manats</i>	30 June 2026 (unaudited)		31 December 2025	
	Related party balances	Total category as per the financial statements item	Related party balances	Total category as per the financial statements item
Cash and cash equivalents		3,305,055		1,729,527
– Government bodies and state-owned entities	564,887		24,200	
Mandatory cash balances with central banks		1,698,611		1,653,879
– Government bodies and state-owned entities	1,696,066		1,649,699	
Due from banks and other financial institutions		79,016		125,360
– Government bodies and state-owned entities	–		–	
Investment securities		2,896,956		3,311,203
– Government bodies and state-owned entities	2,153,215		2,639,242	
Loans to customers, gross		7,717,931		7,167,236
– Government bodies and state-owned entities	867,174		796,555	
– Key management personnel of the Group	4,372		4,657	
Allowance for ECL on loans to customers		(346,051)		(298,411)
– Government bodies and state-owned entities	(3,002)		(3,880)	
– Key management personnel of the Group	(11)		(12)	
Receivables from CJSC “Agrarkredit”		453		50,612
– Government bodies and state-owned entities	453		50,612	
Other assets		227,822		241,280
– Government bodies and state-owned entities	2,566		6,446	
Due to banks and other financial institutions		(810,767)		(502,983)
– Government bodies and state-owned entities	(217,548)		(109,698)	
Customer accounts		(10,640,920)		(9,713,857)
– Government bodies and state-owned entities	(3,446,358)		(3,613,690)	
– Key management personnel of the Group	(12,590)		(10,302)	
Payables to CJSC “Agrarkredit”		–		(50,896)
– Government bodies and state-owned entities	–		(50,896)	
Other borrowed funds		(1,411,356)		(974,109)
– Government bodies and state-owned entities	(488,869)		(633,301)	
Undrawn loan commitments		779,203		683,950
– Government bodies and state-owned entities	145,500		87,531	
– Key management personnel of the Group	106		27	
Letters of credit and guarantees		2,853,690		2,810,326
– Government bodies and state-owned entities	357,181		279,838	
Allowance for ECL on commitments and contingencies		(20,716)		(33,344)
– Government bodies and state-owned entities	(1,234)		(2,383)	

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***22. RELATED PARTY DISCLOSURES (continued)**

The income and expense arising from related party transactions for the six months ended 30 June 2026 and 30 June 2025, were as follows:

	For the six months ended			
	30 June 2026 (unaudited)	Total category as per the financial statements caption	30 June 2025 (unaudited)	Total category as per the financial statements caption
<i>in thousands of Azerbaijani manats</i>	Related party transactions		Related party transactions	
Interest income		621,429		575,438
– Government bodies and state-owned entities	104,942		119,190	
– Key management personnel of the Group	194		198	
Interest expense		(230,967)		(199,294)
– Government bodies and state-owned entities	(59,976)		(93,923)	
– Key management personnel of the Group	(385)		(833)	
Credit loss (expense)/reversal on interest bearing financial assets		(47,761)		(31,426)
– Government bodies and state-owned entities	883		1,912	
– Key management personnel of the Group	-		16	
Credit loss (expense)/reversal on credit-related commitments and other financial assets		65		(11,833)
– Government bodies and state-owned entities	(937)		(351)	
– Key management personnel of the Group	-		(2)	
Fee and commission income		170,377		132,701
– Government bodies and state-owned entities	27,215		25,614	
– Key management personnel of the Group	3		4	
Fee and commission expense		(95,063)		(88,533)
– Government bodies and state-owned entities	(12,003)		(7,835)	
Net gains from operations in foreign currencies		91,604		85,528
– Government bodies and state-owned entities	20,358		19,754	
– Key management personnel of the Group	13		7	
Operating expenses		(237,459)		(200,181)
– Government bodies and state-owned entities	(20,534)		(16,371)	
– Key management personnel of the Group	(16,790)		(18,195)	

Transactions with entities other than government-related

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

	For the six months ended			
	30 June 2026 (unaudited)	Total category as per the financial statements caption	30 June 2025 (unaudited)	Total category as per the financial statements caption
<i>in thousands of Azerbaijani manats</i>	Related party transactions		Related party transactions	
Key management personnel compensation				
Salaries and other benefits, including social security costs	(16,790)	(157,556)	(18,195)	(132,027)
Total	(16,790)	(157,556)	(18,195)	(132,027)

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)***23. CAPITAL ADEQUACY**

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is managed by the ratios established by Basel III and monitored using the ratios established by the regulator (the CBAR).

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Compliance with capital adequacy ratios set by regulator is monitored monthly with reports outlining their calculation reviewed and signed by the Group's Chief Financial Officer (CFO).

The CBAR capital adequacy ratio

The CBAR requires banks to maintain a minimum Tier 1 and total capital adequacy ratio of 6.5% and 12.5% respectively, of risk-weighted assets for regulatory capital. As at 30 June 2026, the Bank was in compliance with these requirements.

Capital adequacy ratio under Basel III

The Group's international risk-based capital adequacy ratio is computed in accordance with the Basel III.

As at 30 June 2026 and 31 December 2025, Tier 1 capital and Total capital ratios exceeded the minimum ratio of 6% and 8% recommended by the Basel Accord, respectively, as disclosed below:

	30 June 2026 (unaudited)	31 December 2025
Tier 1 capital	2,457,230	2,450,630
Tier 2 capital	272,039	275,426
Less: deductions from the capital	(128,077)	(134,061)
Total capital	2,601,192	2,591,995
Risk weighted assets	10,228,697	10,046,630
Tier 1 capital ratio	24.02%	24.39%
Total capital ratio	25.43%	25.80%

24. SUBSEQUENT EVENTS*Acquisition of JSCB Davr Bank*

In September 2026, the Group acquired 51% of the share capital of JSCB Davr Bank (hereinafter, "Davr Bank"), obtaining control of the entity. Davr Bank is principally engaged in banking activities in the Republic of Uzbekistan. The remaining 49% interest is held by non-controlling interest. The primary reason for the acquisition is to support the Group's strategic objective of expanding its international presence and developing its banking operations in foreign markets.

The acquisition occurred after 30 June 2026 and, accordingly, the assets and liabilities of the subsidiary and the results of its operations have not been included in the Group's condensed consolidated financial statements for the period ended 30 June 2026.

The consideration transferred for the acquisition of the 51% of interest amounted to USD 139,912 (AZN 237,850). This amount is provisional and remains subject to adjustment upon the finalisation of the post-closing procedures, including the review and audit of the retained earnings of Davr Bank.

The initial accounting for the business combination had not been completed as at the date of authorisation of these interim condensed consolidated financial statements. In particular, the Group is in the process of completing the determination of the fair values of certain identifiable assets acquired and liabilities assumed, the measurement of the non-controlling interest and the resulting amount of goodwill. Accordingly, certain disclosures required by IFRS 3 have not been provided. The Group will complete the acquisition accounting in accordance with IFRS 3 in the subsequent reporting period.

SELECTED EXPLANATORY NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**For the six months ended 30 June 2026***(All figures are in thousands of Azerbaijani manats, unless stated otherwise)*

24. SUBSEQUENT EVENTS (continued)*Establishment of “ABB - Asset Management Company” LLC*

In July 2026, the Bank established “ABB-Asset Management” LLC, a wholly owned subsidiary, with a charter capital of AZN 1,000. The subsidiary’s principal activities relate to beyond-banking services. As the subsidiary was established subsequent to the reporting date, no related balances or transactions were recognised as at 30 June 2026 in the interim condensed consolidated financial statements.

Update of the Bank’s ratings

In August 2026, Fitch Ratings upgraded the Bank’s Long Term Issuer Default Rating from BB to BB+ and its Viability Rating from bb to bb+. The rating outlook was changed from Positive to Stable.

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