

**ANNUAL
SUSTAINABILITY
REPORT**

**20
24**



Kapital Bank

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**Kapital
Bank**
Azerbaijan

150
YEARS

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CEO Message

Message from the CEO

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Message from Farid Huseynov, Chairman of the Board, Chief Executive Officer of Kapital Bank



2024 marked a historic milestone for Kapital Bank as we celebrated our 150th anniversary, a moment to honor our legacy and reaffirm our role in supporting Azerbaijan's long-term economic development. As the country's first and largest financial institution, Kapital Bank has consistently contributed to the diversification of the national economy, particularly by strengthening the non-oil sector and advancing financial inclusion. From our roots in the late 19th century to our position today as a digital banking leader, our evolution reflects a deep commitment to serving the broader goals of society.

Throughout the year, we accelerated our digital transformation strategy, simplifying access to finance and empowering millions through our award-winning platforms, Birbank and Birbank Biznes. These tools have become essential to the financial lives of individuals and entrepreneurs, enabling secure, paperless, and inclusive services across Azerbaijan. Our international engagement also deepened, marked by our presence at SIBOS 2024 in Beijing and the opening of a correspondent account with Bank of New York Mellon, further strengthening our global connectivity.

Sustainability remained central to our strategy. In alignment with the Central Bank of Azerbaijan's 2024–2026 Financial Sector Development Strategy and in anticipation of COP29, we placed ESG principles at the heart of our operations. **In 2024 alone, we saved more than 89 million sheets of paper—preserving over 10,000 trees and cutting approximately 236 metric tons of CO₂ emissions, through digital innovation. We joined the UN Global Compact and actively contributed to high-level panels at COP29, demonstrating leadership in shaping the country's sustainable finance agenda.**

One of our most impactful contributions was to the “Great Return” program, where we have committed substantial

financial resources toward rebuilding key infrastructure in liberated regions, including Shusha, Jabrayil, and Lachin. In parallel, we expanded our branch network to newly revitalized areas such as Khankendi and Jabrayil, fostering greater access to finance. In urban sustainability, we supported projects involving electric buses and EV infrastructure, in full alignment with Azerbaijan's Green Taxonomy and ecological goals.

Recognizing the vital role of accessible finance in regional revival, we also expanded our physical footprint by opening new branches in Khankendi, Lachin, and Jabrayil. These locations are not just symbolic, they represent a long-term investment in financial inclusion and economic resilience, helping individuals and businesses in these communities rebuild with confidence and dignity.

Our commitment to social impact is embodied by the Red Hearts Foundation—one of the most dynamic corporate social responsibility platforms in the region. In 2024, the foundation mobilized over 4,500 donors and nearly 200 volunteers to deliver life-changing support to more than 4,000 beneficiaries. From reforestation campaigns to inclusive education, housing for families of martyrs, and scholarships for students, Red Hearts embodies our belief

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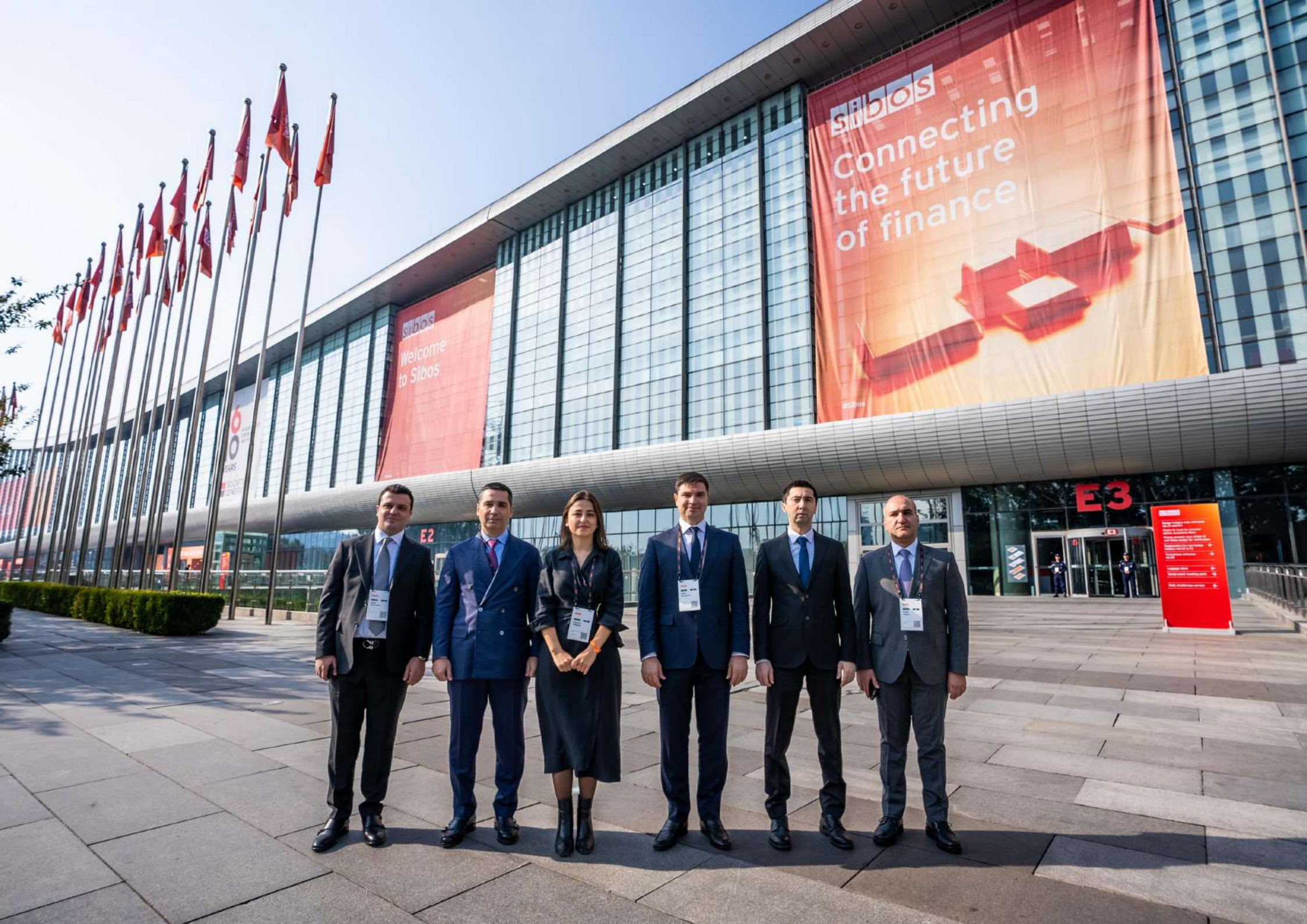
Message from Farid Huseynov, Chairman of the Board, Chief Executive Officer of Kapital Bank

that banking should serve society at every level. Internally, we continued to strengthen our corporate culture through transparency, engagement, and purpose. The move to our new headquarters at Port Baku Tower 2, combined with initiatives like “Çay Saati” and “Done Ulduzu,” reinforced our commitment to employee wellbeing and collaboration. Our efforts were recognized internationally with the “Great Place to Work” certification and multiple honors at the 2024 World HR Summit.

Financially, we maintained robust performance with total assets exceeding 11 billion AZN, loans reaching 5.2 billion AZN, and customer deposits surpassing 9 billion AZN. These results affirm our capacity to grow responsibly while supporting Azerbaijan’s sustainable economic trajectory. As a founding member of the Azerbaijan Banks Association’s pledge to mobilize \$1.2 billion in green finance by 2030, we are proud to play a catalytic role in this national commitment.

Looking ahead, our ambition is clear, to lead with purpose, enable opportunity, and create lasting value for all. By embedding sustainability, innovation, and inclusion into every aspect of our strategy, Kapital Bank stands ready to support the next chapter of Azerbaijan’s growth.





A Year in Review

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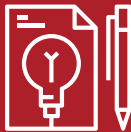
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11,5 billion
Total Assets



9.1 billion
Deposit Portfolio



2,9 billion
Retail Loan Portfolio



275 million
Net Profit



22.6 %
Return on Equity



21 billion
Community Investments



5.500 +
Employees



100 %
Anti-Corruption Trainings



13,000 +
Active Internet Banking Users



0
Customer Data Leakage



26 %
Decrease in Scope 2 Emissions

Awards and Recognitions

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- **Best Use of AI in Digital Transformation:** Kapital Bank was recognized by Global Finance magazine as part of its Innovators 2024 awards for its pioneering use of artificial intelligence in digital banking transformation.
- **Best People-Oriented CEO of the Year and Best Internal Communication Strategy:** Kapital Bank received two honors at the World Human Resources Summit. CEO Farid Huseynov was awarded “Best People-Oriented CEO of the Year,” and the bank was recognized for having the “Best Internal Communication Strategy.”
- **Six Awards in Banking Excellence:** Kapital Bank was recognized in six categories at the ABA Banking Awards 2024, receiving distinctions in Corporate Social Responsibility, Educational Support, SME Inclusion, Digital Payment Security, Innovative Payments, and Sustainable Banking.
- **Great Place to Work Certification:** Kapital Bank was awarded the international Great Place to Work certification for the second time in 2024, highlighting its strong workplace culture and employee satisfaction.
- **#1 Mobile Banking App in Azerbaijan:** The Birbank mobile app was ranked the top mobile banking service in Azerbaijan in the 2024 Mobile Banking Rankings by Markswebb, recognized for its rich functionality and user-centric innovation.
- **Four Gold Felis Awards for Marketing Innovation:** Kapital Bank received four Gold awards at the 2024 Felis Awards in Turkey for its achievements in social media campaigns, user engagement, technology integration, and design excellence.
- **Best Retail Bank and Best Credit Card Service Provider in Azerbaijan:** Kapital Bank was honored with two titles at the 2024 World Economic Magazine Awards, reflecting its leadership in retail banking and credit card services.
- **Best Employee Engagement Strategy and Best Green Human Resources Strategy:** Kapital Bank was recognized at the 2024 COP29 Human Capital Forum for its effective employee engagement and sustainable HR practices.
- **ACCA Approved Employer:** Kapital Bank has been awarded the status of “Approved Employer” by the international organization ACCA for its support in the training and development of specialists in the fields of finance and accounting.

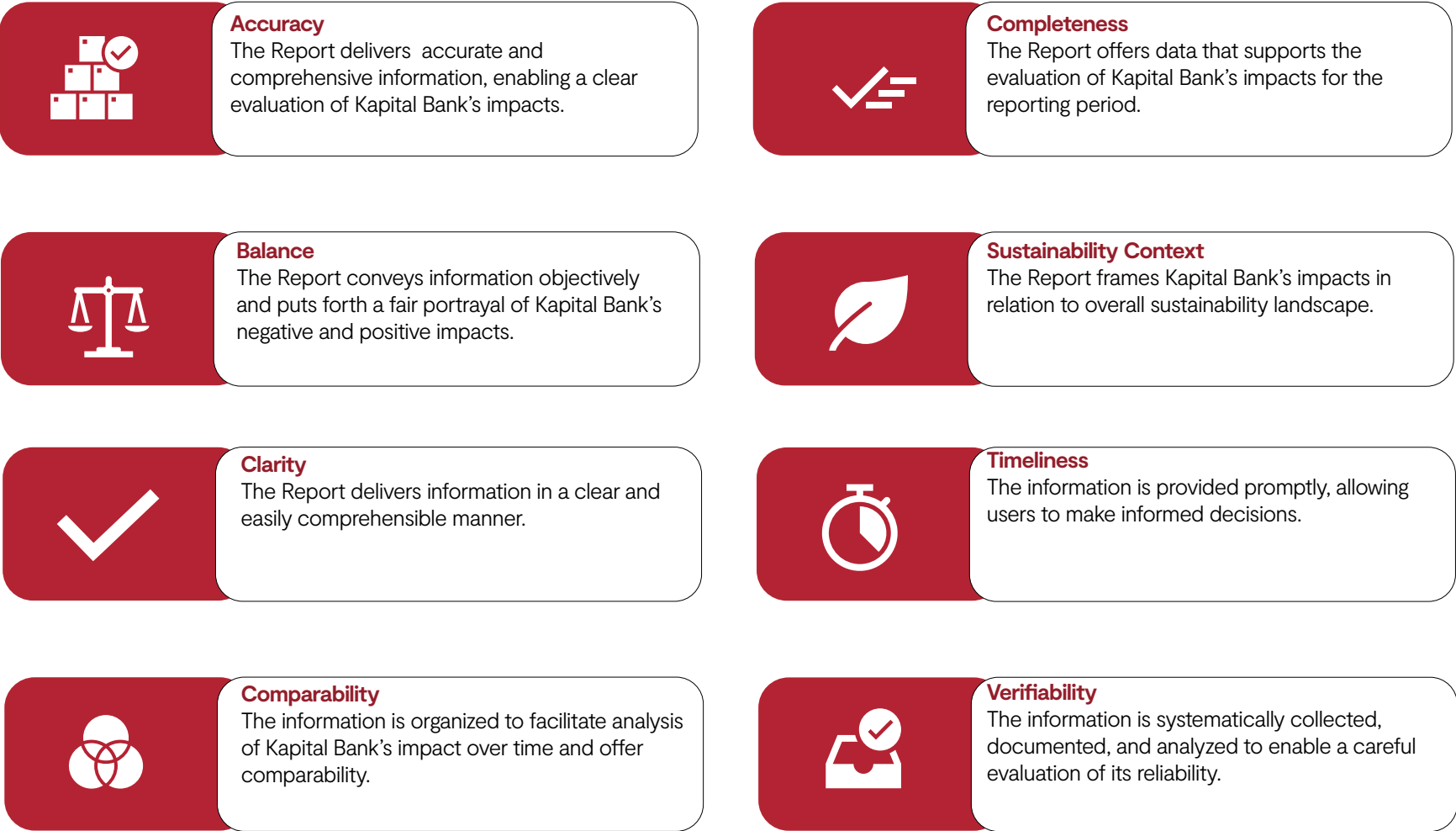


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Figure 1. Eight Principles of Reporting



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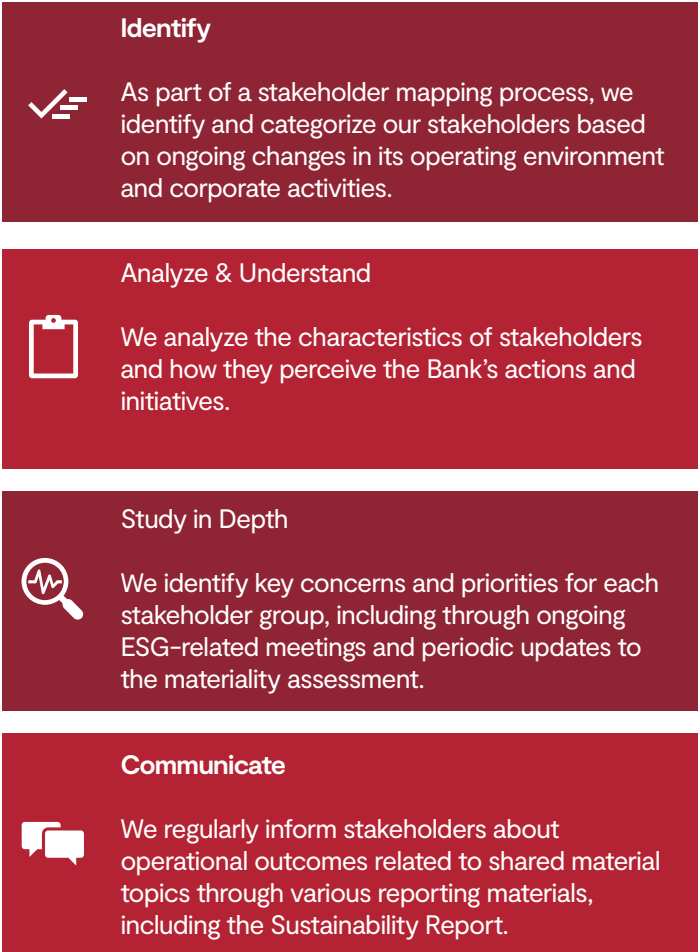
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To further enhance credibility and transparency, 14 Key Performance Indicators (KPIs) disclosed in the present Report underwent independent limited assurance in line with the International Standard on Assurance Engagements (ISAE 3000) (Revised) by Deloitte & Touche LLAC, an external assurance provider. This process is designed to verify the accuracy and reliability of the data presented, and it underscores the Bank’s commitment to accountability in sustainability reporting. The assurance process also involves the active participation of senior executives, who are responsible for approving and signing the Management Letter Point, further reinforcing internal ownership and oversight. Additional details regarding the assurance scope, methodology, and the KPIs subject to verification can be found in the Independent Limited Assurance Statement section.

Engaging with our Stakeholders

We are committed to fostering strong, cooperative relationships with our stakeholders by promoting open dialogue and a culture of active listening. As part of this commitment, we actively identify and map stakeholder groups based on their relevance to our operations and impact, recognizing and addressing their diverse expectations, interests, and concerns (Figure 2). Through our four-phased approach, we continuously develop and implement a range of engagement tools and initiatives designed to strengthen mutual trust, promote inclusivity, and support long-term collaboration (Figure 3). These efforts not only enhance transparency and accountability but also contribute to shared growth and reinforce the Bank’s social license to operate within the communities it serves.efforts.

Figure 2. Four Phases of Stakeholder Engagement



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Figure 3. Stakeholder Engagement

Stakeholder Group	Engagement Content	Communication channels	Communication channels
Customer 	Kapital Bank focuses on building long-term client relationships by delivering personalized financial solutions and prioritizing customer satisfaction. The Bank actively gathers feedback, resolves issues promptly, and conducts regular digital surveys. It also monitors customer behavior and complaint trends to continuously refine its services and align with evolving client needs.	Kapital Bank's branches, ATMs, call center, mobile banking, customer relations representatives, personal emails/messages, website	Continuous , as part of customer service
Employees 	Kapital Bank fosters a workplace culture rooted in Diversity, Equity, and Inclusion, offering equal opportunities and clear career paths. The Bank supports employees through extensive training, career development, and well-being programs, while promoting open dialogue via the anonymous NAVEX platform.	Intranet, periodic performance evaluations, employee surveys, trainings, social events, website	Regular , as part of business conduct
Shareholders 	Kapital Bank drives lasting shareholder value through a strategic focus on sustainable growth, strong returns, and resilience. The Bank ensures transparency and accountability by consistently communicating its financial performance and strategic direction.	General meetings, annual financial & non-financial reports, sustainability reports, regulatory filings	Annual and bi-annual basis, as part of business conduct
Investors 	Kapital Bank maintains active engagement with its investors by delivering timely, detailed disclosures on financial and ESG performance. By upholding sound financial stewardship, we are committed to creating long-term value and strengthening our reputation as a dependable and attractive investment partner.	Investor meetings, investor presentations, conferences, sustainability reports, website	Ad hoc , basis, as part of investor relations
Suppliers & Contractors 	Kapital Bank builds strong, trust-based partnerships with suppliers by promoting fairness, transparency, and ethical practices in line with its Code of Ethics. The Bank emphasizes ethical sourcing, clear communication, and long-term collaboration grounded in shared values.	Annual disclosures based on relevant research, supplier evaluations, pre-tender meetings, signed contracts, order formalization procedures, online platforms	Regular basis, as part of business conduct

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Stakeholder Group	Engagement Content	Communication channels	Communication channels
Local Communities 	Kapital Bank continues to strengthen its support for local communities by channeling investments into programs that drive both social progress and economic empowerment.	Social responsibility projects, partnerships, volunteer programs, sustainability reports, financial and non-financial reports, conferences	Regular basis, as part of corporate social responsibility
Governmental Agencies 	Kapital Bank maintains transparent, cooperative relations with regulators, ensuring full compliance with laws and top corporate governance standards. By aligning with both national and international regulations, the Bank supports a resilient and well-regulated financial system.	Reports submitted to the Central Bank of the Republic of Azerbaijan (CBAR), press releases, roundtable discussions, briefings, documents submitted to regulatory authorities	Ad hoc basis, as part of regulatory compliance
Rating Agencies 	Kapital Bank actively engages with rating agencies through transparent disclosures on financial performance, governance, and sustainability, helping maintain strong credit ratings and a resilient market presence.	Financial reports, compliance reports in line with regulatory requirements, pre-rating meetings, conference calls	Annual basis, as part of business conduct
Media 	Kapital Bank recognizes the media as a vital bridge to the public and remains committed to maintaining an open and constructive relationship with journalists and media outlets. By consistently sharing clear, factual, and timely updates on our operations, achievements, and strategic efforts, we reinforce our dedication to transparency and ensure stakeholders remain well-informed.	Website, press releases, Facebook, LinkedIn, X, Instagram, YouTube	Regular basis, as part of public relations

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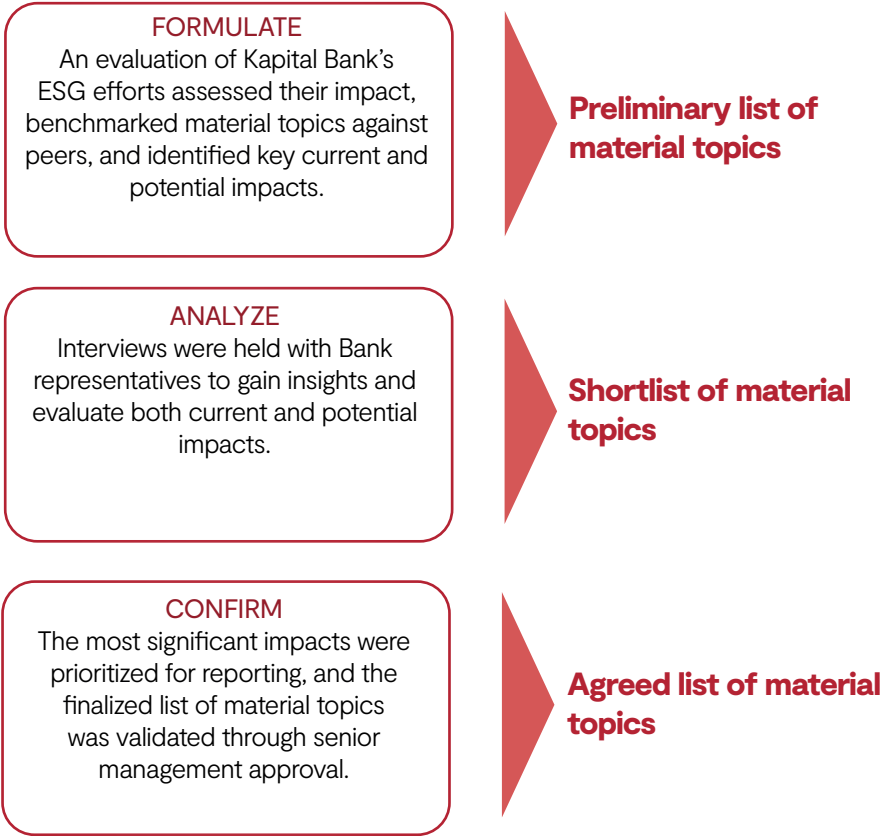
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Materiality Assessment

Throughout the Report, we delve into the key topics deemed material to Kapital Bank and its operations, aligning them with the expectations of our stakeholders. By focusing on these topics, we aim to build sustainable value, enhance transparency, and reinforce the trust and collaboration we share with our stakeholders. In fact, we capture the Bank’s broader influence on economic, social, and environmental dimensions through our materiality lens to maintain a reflection on subjects that hold meaningful impact – now or in the future – on our business and society.

To determine our most material areas of focus, we followed a structured approach in line with the GRI 3 Standard: Process to Determine Material Topics. The materiality determination process involved three key steps: formulating a preliminary list of ESG topics through benchmarking and impact assessment, analyzing stakeholder input via internal interviews, and confirming the final list of prioritized topics with senior management approval (Figure 4). This process incorporated a broad analysis of the inside-out and outside-in perspectives, to evaluate and prioritize material topics based on the significance of their impacts on both the Bank and its external environment. As part of our stakeholder engagement efforts, apart from holding in-depth discussions with both internal and external stakeholders, we have also conducted a comprehensive materiality survey, which gathered input from 271 respondents representing diverse stakeholder groups to help validate and prioritize the most relevant ESG topics. Altogether, these efforts provided valuable insights into diverse perspectives, allowing us to align our priorities with the expectations of those most impacted by our operations. Ultimately, the materiality assessment has led to the identification of 16 material topics (Table 1).

Figure 4. Process to Determine Material Topics



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Table 1. Our Material Topics

Material Topic	How we address it
Environmental	
Environmental Stewardship	We have an Environmental Management System in place that helps identify and manage our environmental impact across operations. Guided by the UN SDGs and the Paris Agreement , our approach prioritizes sustainability, innovation, and accountability. Our commitment also extends beyond operations through CSR initiatives focused on environmental protection and awareness.
Greenhouse Gas Emissions Management	We monitor and manage our environmental impact with a strong focus on emissions, aligning our efforts with international frameworks such as the UN SDGs and the Paris Agreement . Our emissions calculations follow the GHG Protocol methodologies , ensuring accuracy and transparency. We also prioritize the reduction of Scope 1 and Scope 2 emissions as part of our broader sustainability goals.
Social	
Talent Management	In 2024, we advanced our efforts across key areas including structured recruitment, transparent remuneration, and employee development . Our approach combines merit-based hiring, inclusive internship and graduate programs, and internal succession planning for leadership roles. We provide flexible work models and a robust learning ecosystem via the Human Capital Academy and global education platforms . Through initiatives like the Special Talent Pool, executive education partnerships, and personalized upskilling paths, we strengthen leadership pipelines and foster career mobility. Our recognition at the COP29 Human Capital Forum further reflects our commitment to innovative and sustainable workforce practices.
Employee Loyalty & Wellbeing	This year saw advancements in our people-first culture through fair rewards, comprehensive benefits, and inclusive workplace practices . Structured engagement surveys, such as the Organization Health Index, inform targeted improvements in motivation and retention, while flexible parental leave policies contributed to a 100% return-to-work rate . Our rigorous occupational health and safety system includes mandatory trainings, independent oversight, and supplier compliance, reinforcing our duty of care. Leadership commitment to wellbeing was further recognized when our CEO was awarded “ Best People-Focused CEO ” at the 2024 World HR Summit , reflecting our status as an employer of choice.
Customer Experience	In 2024, we enhanced our service model through real-time responsiveness, intelligent automation, and personalized support . Key initiatives included the launch of a dedicated hotline for corporate clients, the expansion of our AI-powered GPT chatbot resolving over 50% of queries and strengthened CRM integration for tailored service delivery. Our call center operations follow strict protocols and are monitored through daily KPIs, customer feedback loops, and monthly quality assessments. We also invested in accessibility, inclusive communication, and employee training to ensure equitable service across all customer segments. These efforts reinforce customer satisfaction as a long-term value driver and a cornerstone of our brand promise.

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Table 1. Our Material Topics

Material Topic	How we address it
Corporate Social Responsibility	Our corporate social responsibility efforts are deeply rooted in community engagement and are driven by the Red Hearts Foundation, which has been active across every region of Azerbaijan since its establishment. In 2024 alone, the Foundation supported over 4,000 beneficiaries through a wide range of initiatives, including educational programs, aid campaigns, environmental cleanups, and support for animal shelters. With the involvement of dedicated employees, volunteers, and donors, Red Hearts plays a key role in strengthening Kapital Bank's commitment to social impact and building a culture of philanthropy.
Stakeholder Engagement	We prioritize open dialogue and active listening to build trust-based relationships with our stakeholders. Using a structured four-phase approach, we identify key groups, address their expectations, and implement engagement initiatives that promote transparency, inclusivity, and long-term collaboration.
Governance	
Corporate Governance & Accountability	Our corporate governance framework is built on clear principles, robust oversight, and legal compliance, ensuring accountability and strategic alignment. Governance is led by the Shareholders' General Meeting, Supervisory Board, Audit Committee, and Executive Board. All members are subject to disclosure and conflict-of-interest rules, with related-party transactions governed by the Civil Code of Azerbaijan. This structure supports responsible decision-making and long-term sustainable performance.
Responsible Procurement & Supply Chain	In 2024, we strengthened our responsible procurement practices through updated policies, enhanced supplier due diligence, and improved information security controls. We implemented a revised Procurement Policy and Procedure, embedded anti-bribery clauses, and introduced stricter classification and prequalification standards for vendors. With 86% of our suppliers locally based and 89% of procurement spend directed to them, we reinforced our commitment to supporting the national economy. All critical procurement is managed via our E-procure platform to maintain transparency, compliance, and traceability across the supply chain.
Ethics & Compliance	Our compliance system is built on integrity, transparency, and regulatory alignment, supporting ethical conduct across all operations. In 2024, we strengthened our Compliance Function, reinforced whistleblowing protections, and enhanced AML/CFT, anti-bribery, and conflict-of-interest controls. Key compliance areas are overseen by dedicated officers and structured governance bodies, with clear accountability mechanisms and regular risk assessments. Our policies reflect international standards, promote human rights, and apply to all employees and third parties. Through robust due diligence, secure reporting channels, and continuous training, we uphold a culture of ethical behavior and principled business conduct.

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Material Topic	How we address it
Governance	
Human Rights, Diversity, Equity & Inclusion	We sustain ethical employment through adherence to labor laws, human rights principles, and international standards. In 2024, we reinforced fair treatment, equal opportunity, and responsible conduct across all employment practices, including recruitment, promotions, and compensation. Safe and confidential reporting mechanisms protect employee rights, while regular audits and training ensure compliance and ethical awareness. Conflict of interest policies and transparency expectations are embedded in daily operations, promoting a respectful, accountable, and inclusive work environment.
Risk Management	Our Enterprise Risk Management (ERM) framework is a core component of its strategic and operational planning. In 2024, we maintained a proactive, integrated, and forward-looking approach, embedding risk awareness into decision-making across all levels. Guided by the Three Lines of Defense model, our risk governance covers financial and non-financial risks, with oversight by the Supervisory Board, Risk Committee, and Chief Risk Officer. Key tools, such as the Risk Appetite Statement, Risk Control Self-Assessments, and Key Risk Indicators, enable timely detection and response. Stress testing, incident reporting, and continuous monitoring effectively manage emerging risks, strengthening the Bank's resilience and long-term sustainability.
Cybersecurity & Data Privacy	In 2024, under the oversight of the Cybersecurity Director, specialized teams enhanced 24/7 threat monitoring, expanded SOC playbooks, and operationalized secure coding practices. AI tools enabled real-time anomaly detection and improved data classification, while penetration testing and third-party assessments strengthened ecosystem security.
Financial & Operational	
Financial Performance	In 2024, we achieved strong financial results with a net profit of 275.3 million AZN and a 21.6% growth in its loan portfolio. Total assets reached 11.55 billion AZN, supported by customer deposits and disciplined credit growth. Key ratios, including a 145.8% Liquidity Coverage Ratio and 13.29% Capital Adequacy Ratio, confirmed financial resilience. The Bank also contributed 94.8 million AZN in taxes and 176.1 million AZN in dividends, reflecting its role in national economic development.
Digital Transformation & Agility	By adopting an agile model, we have accelerated innovation and improved responsiveness, delivering products like the Birbank Star Card and AI-powered support tools faster. Agile teams break down silos by integrating business and technical units, boosting collaboration and efficiency. With clear KPIs, this approach supports digital growth, over half of services are now online and 85% of transactions are paperless, enhancing customer access and reducing our environmental impact.
Innovation	We have continuously improved operational efficiency and service quality by integrating AI technologies across key areas, such as customer service, cash management, and credit risk analysis. AI-driven speech recognition and predictive models have reduced call wait times, optimized ATM cash replenishment, and enhanced our ability to identify credit risks early. These advancements not only reduce costs and manual workloads but also help us offer more personalized and accessible services, creating real value for both the Bank and our customers.

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Contributing to the United Nations Sustainable Development Goals

At Kapital Bank, we are redefining the way we operate by integrating ESG principles into how we operate. Our efforts are closely aligned with the UN SDGs (Table 2), as we recognize the essential role that financial institutions play in channeling capital responsibly, supporting sustainable economic growth, and driving positive social outcomes. We are not only evolving our service offerings, but also rethinking how we manage internal processes to meet the highest international standards in sustainability. We envision a future where economic growth, environmental preservation, and social responsibility are interconnected and mutually reinforcing.

To make this vision a reality, we support a wide array of projects that aim to promote equal access to finance, foster transparent and responsible governance, and encourage environmentally conscious practices. Through advances in digital banking, the cultivation of a fair and inclusive workplace, and a continued focus on reaching the vulnerable, we are embedding sustainability into our fabric. In fact, rather than taking a one-size-fits-all approach, we prioritize initiatives that allow us to make the most significant contribution. This focus enables us to deliver measurable, long-term value to our clients, partners, and the broader community.



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Table 2. Our Contributions to the UN SDGs

UN SDG	UN SDG Target	Our Contribution
	Target 1.3: Implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage for the poor and the vulnerable. Target 1.5: By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.	Through the Red Hearts Foundation, we provide financial assistance, housing renovations for martyr families, scholarships, and emergency donations. These actions support social protection systems and build resilience to shocks.
	Target 4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. Target 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. Target 4.5: By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations. Target 4.7: By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.	By offering volunteer certificates and supporting educational projects for children with Down syndrome and autism, we foster inclusive, lifelong learning and promotes education for sustainable development.
	Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. Target 5b: Enhance the use of enabling technology, in particular information and communications technology, to promote the	We promote female leadership, offer discounted business loans to women entrepreneurs, and use digital technology to support women's economic inclusion. We also promote empowerment via tech-driven financial services. Moreover, we implement a merit-based system to stop the "gender pay gap" in the workplace in all internal transfers, wage increases, and promotions.

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Table 2. Our Contributions to the UN SDGs

UN SDG	UN SDG Target	Our Contribution
	Target 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.	By offering credit to micro and small businesses, promoting financial technologies, and launching AI-powered digital transformation campaigns (incl. AI-powered chatbot and call request service), we enable financial access, expand ICT use, and foster tech innovation. We leverage advanced AI-powered credit assessment models and digital tools to expand access to affordable financial services for previously underserved customer segments. In line with this, we sponsored the Agile Azerbaijan International Summit-2024, dedicated to Agile methodologies and their application in various fields, including product development and innovative technologies.
	Target 10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	We promote the inclusion of marginalized and vulnerable populations (e.g., children with disabilities, low-income students, women entrepreneurs), enhancing economic and social participation. We support entrepreneurship and financial inclusion via SME loans, women-focused business lending, and accessible digital banking. Our “Great Place to Work” certification also reflects workplace safety and fair treatment. Through a vast network and product reach, we strengthen financial access for all.

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Table 2. Our Contributions to the UN SDGs

UN SDG	UN SDG Target	Our Contribution
	Target 12.4: By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment. Target 12.6: Encourage companies, especially large and transnational	We conduct battery recycling campaigns and promote digital banking (reducing paper use), reflecting responsible environmental management. We also integrate sustainability into its strategy and public reporting.
	Target 13.2: Integrate climate change measures into national policies, strategies and planning. Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	We participate in climate action projects like afforestation, support environmental awareness campaigns and contribute to national sustainability dialogues. We support animal protection campaigns and forest restoration through tree planting, aiding biodiversity conservation and ecosystem restoration.
	Target 17.6: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing	Through partnerships with the Ministry of Ecology, ESG forums, cross-border philanthropy (e.g., AHBAP), and corporate-community alliances, we enhance knowledge-sharing and foster multi-stakeholder partnerships.

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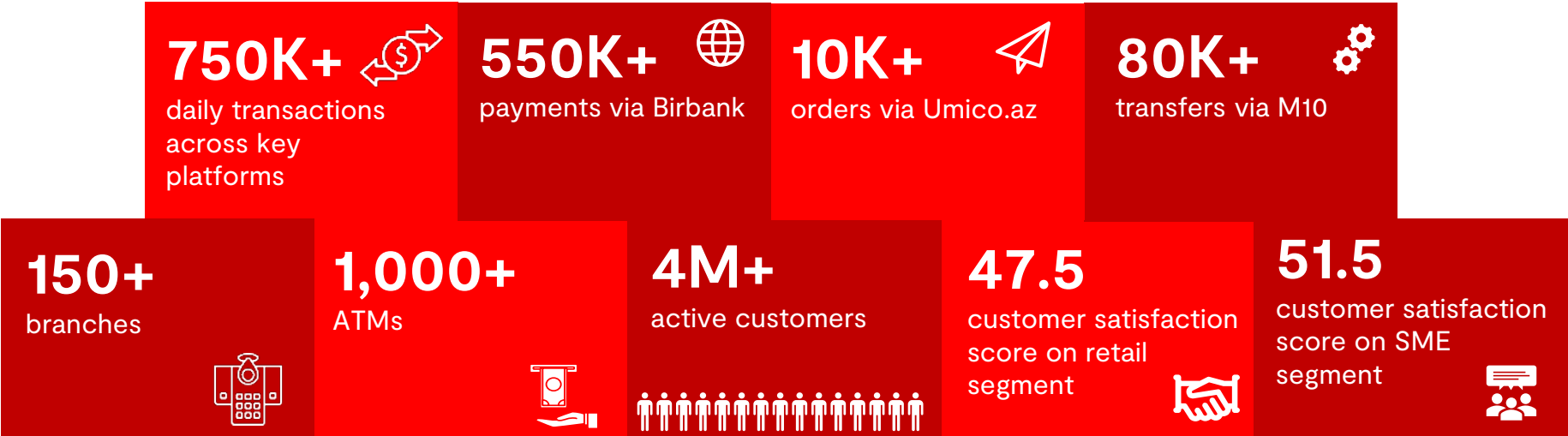
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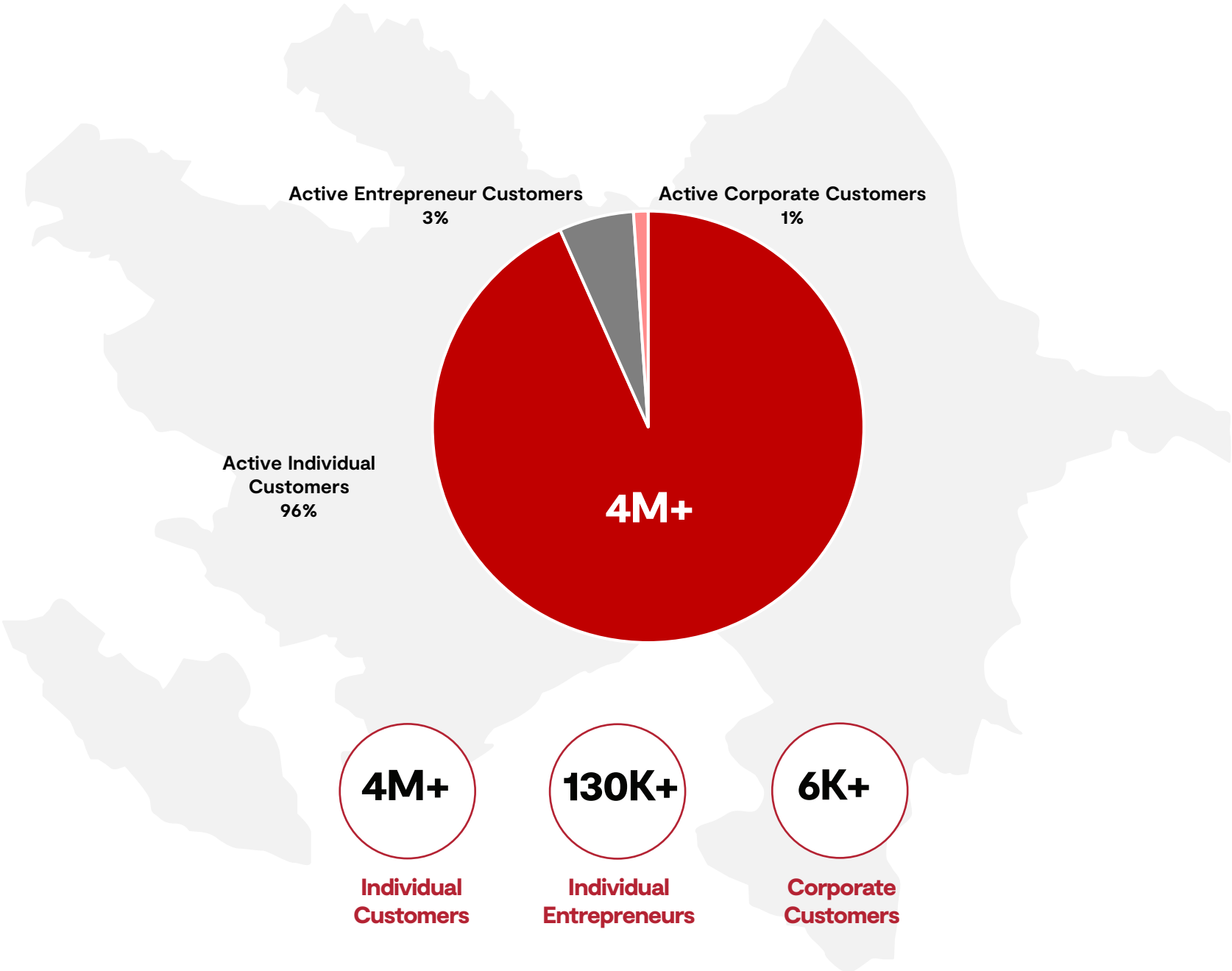
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150 Years of Excellence

The story of banking in Azerbaijan dates back nearly 150 years (Figure 5), to a time when the economic and social landscape of the nation was undergoing profound transformation. As commerce expanded and modernization took root in the late 19th century, the need for structured financial services emerged. This led to the founding of Azerbaijan’s first savings institution in

1874, known as the Baku City Branch of the State Bank. This pivotal moment marked the official birth of organized banking in Azerbaijan and laid the foundation for the flourishing financial sector that would be crucial to the country’s economic stability and growth.

From this historic foundation, Kapital Bank emerged as Azerbaijan’s first bank, originally

known as the Azerbaijan Savings Bank. Over the years, Kapital Bank has played a central role in nurturing the country’s financial evolution, guiding generations through economic shifts, currency reforms, and periods of growth and diversification. Today, as we celebrate our 150th anniversary, Kapital Bank continues to honor its legacy by embracing innovation and adapting to the modern financial landscape.



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Figure 5. Timeline of key historical milestones (1874–2024)



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Throughout its history, Kapital Bank has remained rooted in its heritage, yet has grown into a modern financial leader in Azerbaijan. With headquarters in Baku, the bank operates the largest banking network in the country, with more than 170 branches and over 1,000 ATMs serving communities nationwide. Backed by a team of over 5,586 employees, Kapital Bank serves over 4.1 million individual clients, 6,841 large corporate clients, and 132,643 entrepreneurs. We have also fostered a thriving digital ecosystem, with Birbank, our mobile banking platform, attracting millions of active users, further solidifying our position as the largest digital banking platform in Azerbaijan.

In 2024, building on our tradition of innovation, PASHA Holding further integrated its trusted brands, Birbank, Umico, m10, and MilliÖn, into a unified digital ecosystem. This ecosystem was strengthened through strategic partnerships with Trendyol Azerbaijan and BakıKart, allowing us to offer seamless, secure, and efficient financial solutions. Key innovations, such as Bir Login, Bir Bonus, Bir Pay, and Bir Credit, developed throughout 2024, will be officially launched in 2025, further simplifying daily financial activities for customers.

Today, nearly 7 million users engage with the ecosystem, with over 4 million actively using services like the Birbank mobile application. Our extensive network of branches and departments ensures accessibility for customers across Azerbaijan, while our commitment to innovation

remains at the heart of everything we do. Birbank continues to carry our pioneering spirit forward, shaping the future of Azerbaijan’s digital banking sector.

Kapital Bank operates exclusively within Azerbaijan’s financial services sector, offering a diverse range of retail and corporate banking solutions. From traditional branch-based banking and lending to cutting-edge digital platforms, we have built strong relationships with technology and IT infrastructure providers, as well as vendors and outsourced service partners, to support and enhance our digital operations. Through this integrated approach, we serve a broad customer base that includes individual consumers, SMEs, and large enterprises, with services accessible through both physical and digital channels. Our fintech projects, including advancements in payment solutions, lending platforms, and customer support systems, reflect our commitment to driving innovation within the industry. Kapital Bank also maintains robust correspondent banking relationships internationally, facilitating seamless global financial transactions

Our dedication to innovation extends beyond banking products, as we also embrace our corporate social responsibility. In 2024, we allocated 21 million AZN to various initiatives that support education, charity, environmental sustainability, and community development across Azerbaijan. A key example is the Red

Hearts Foundation, launched by Kapital Bank employees and now marking its 4th year of official activity. This commitment reflects our long-standing values and continues to be integral to our business operations. For more information on these efforts, please refer to the dedicated Our Role in Society section of this report.

As we reflect on our 150-year legacy, we also look forward to the future with a renewed sense of purpose. This anniversary marks a pivotal moment for Kapital Bank – a time to reaffirm our commitment to shaping a better future through strategic investments in artificial intelligence, advanced analytics, and customer-centric digital solutions. Biometric authentication, predictive analytics, and paperless banking are just some of the innovations that will continue to enhance the exceptional service we provide to our customers.

Alongside these technological advances, we launched a series of initiatives throughout 2024 to engage with our customers and communities. One notable campaign supported small businesses through our Birbank Business platform, offering micro-business loans with up to 150 days of interest-free financing. Additionally, we organized a multi-city cycling tour in partnership with the Azerbaijan Cycling Federation. Held under the theme “Year of Solidarity for a Green World,” the event brought together nearly 50 cyclists in Baku, Guba, Ganja, and Lachin, promoting eco-friendly transport and national unity.

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As we mark this important 150-year milestone, each of these initiatives, from rewarding loyal customers to promoting healthy lifestyles and supporting education, reflects not only our legacy but also our enduring commitments to service, sustainability, and community. Building on this strong foundation, our refreshed 2024–2026 strategy sets the course for the future, focusing on sustainable growth, digital transformation, and financial inclusivity. Aligned with international ESG principles and Azerbaijan’s economic priorities, it positions us to generate lasting value for the society and the economy and generations to come.

Our Mission, Vision, and Core Values

Kapital Bank stands as one of the largest financial institutions in Azerbaijan and is set to take a leading role in the financial sector in the near future. We are committed to upholding the highest standards of excellence, with our operations closely aligned with the Bank’s mission, vision, and core values.

Mission

To increase the socio-economic welfare of our country through transparent financial partnership in every stage of your life.

Vision

To become a financial partner of the first choice for our customers, providing a sustainable future and incorporating leading world trends.

Values

Profitability

We aim for mutual prosperity and long-term client loyalty while making contributions to society, generating returns for shareholders, and giving sustainability priority in our all decisions.

Entrepreneurial Spirit

We embrace uncertainty, prioritize customers, and diligently seek solutions to reflect care for our own business.

Collaboration

We exceed expectations through collaborative efforts among departments and partners, driving innovation, instilling trust and contributing to economic prosperity.

Quality

We prioritize dedication, adhere to standards, balance quality and efficiency, and foster customer satisfaction.

Integrity

We have commitment towards ensuring compliance with laws, prioritizing company interests, and fostering honesty and transparency in all interactions.

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Overview of our Business Strategy

Our business strategy is focused on transforming into a customer-centric, digitally driven, and ecosystem-integrated financial institution while ensuring sustainable growth and profitability across our core segments. Our strategic initiatives revolve around four key added value areas: quality, cost, income, and profitability, (Figure 6) which serve as the foundation for our success.

Figure 6. Four Added Value Areas



Our strategy development process is rigorous and exhaustive, involving expert consultants who conduct comprehensive market analysis to identify gaps and opportunities. Based on this analysis, strategic initiatives are formulated and cascaded down to departments, with each business unit receiving specific tailored targets aligned with the Bank’s overarching goals. These initiatives are tracked through operational KPIs, which are regularly reviewed and adjusted during quarterly performance reviews to certify alignment with the Bank’s evolving needs.

A fundamental part of our strategy is creating a deeply rooted customer-centric culture, embedding this principle at every touchpoint within the bank. This involves a comprehensive transformation of our service model to provide seamless, personalized, and meaningful customer interactions. A significant focus is placed on enhancing customer experience through the continued development of Birbank and our Ecosystem, with the aim of achieving greater stability and user satisfaction. The Net Promoter Score (NPS) is prioritized as a key metric of customer loyalty, and we are improving customer satisfaction by leveraging AI-powered tools, such as chatbots. This initiative is part of our broader strategy to integrate branch services into the Birbank app, allowing customers to manage their all-financial needs without the need to physically visit branches.

Our digital transformation is a cornerstone of

the Bank’s strategic goals. We are rearchitecting our core IT systems and modernizing our operational model to support greater agility, scalability, and resilience. By fully digitalizing key banking processes such as lending, onboarding, and customer support. We not only enhance operational efficiency but also meet the growing demands of our customers. Our digitalization goal is to minimize the need for physical branch visits, reduce service turnaround times, and make banking more accessible and convenient.

In the micro-business and SME segments, our focus is on creating sustainable and profitable business models. For micro-businesses, we are scaling fully digital and economically viable lending and transaction channels, making sure that they can access financial services with ease. In the SME segment, we are pursuing balanced growth by developing specialized digital lending solutions and services tailored to their unique needs.

Our strategy further prioritizes integration within the broader consumer ecosystem. We are embedding financial services into non-financial customer journeys, such as the launch of a cross-group loyalty program to enhance value across the ecosystem. These initiatives are supported by advanced analytics and data-driven models, such as customer lifetime value (CLV), which enables us to have more informed decision-making and personalized service offerings.

As we build a modern and interconnected financial

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ecosystem, we recognize the importance of strengthening risk and n functions, thus, risk management is also a key part of our strategy. This strengthened risk function assures robust data governance, enhanced risk mitigation processes and financial stability. Our move to digital platforms for our operational activities has also increased efficiency and customer engagement, further supporting our long-term strategic goals. In line with our focus on operational efficiency, we have implemented Zero-Based Budgeting (ZBB), which runs parallel with our strategic initiatives to optimize resource utilization. ZBB makes sure that administrative costs are minimized simultaneously with operational efficiency

being maximized throughout the bank, aligning departmental budgets with strategic goals while maintaining growth. This approach supports our aim of continuously improving service quality by operating with greater efficiency and eliminating unnecessary costs. Furthermore, we at Kapital Bank understand that human capital plays a crucial role in the success of our strategy. As such, we are investing in attracting, developing, and retaining top talent. Our talent strategy aims to reinforce our employee value proposition, nurture a culture of excellence, and maintain an elevated level of organizational health. Our current business strategy is designed to

position the bank as a leader in the customer-centric, digital banking landscape. By aligning with central bank policies, driving digital innovation, and continuously improving customer experience, we aim to strengthen our position as a robust, profitable, and a leading financial institution that meets the evolving needs of our customers and the market.



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Birbank: Driving Digital Banking Innovation

As our flagship digital platform, Birbank remained at the forefront of our commitment to accessible,

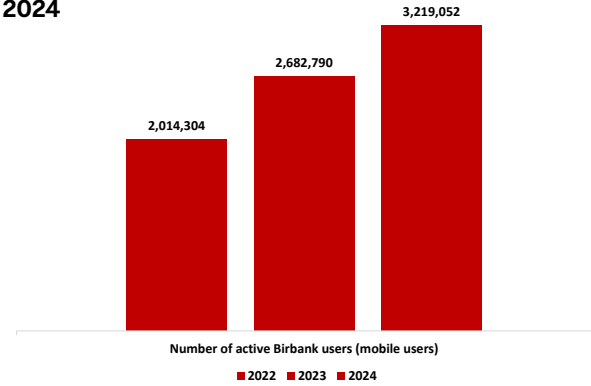
inclusive, and responsible banking in 2024. With over 3.2 million active users, Birbank continued to lead the digital banking landscape in Azerbaijan, offering a seamless, secure, and user-friendly interface that allows individuals to manage their finances, make payments, and access essential services anytime, anywhere. The platform's steady growth across both urban and rural areas reflects its increasing relevance amongst all demographics. This growth has been accompanied by a continuous evolution in features and functionality designed to better serve the needs of our expanding and increasingly diverse customer base (Figure 7).

Throughout 2024, we introduced a range of innovations in Birbank aimed at enhancing customer experience and expanding financial accessibility. These included cardless ATM withdrawals, flexible credit tools, and card subscription management. We also deepened integrations with user-facing platforms, such as Umico and M10, enabling seamless access to marketplaces and digital services directly within



the app. Additionally, integration with telecom providers and utility companies made everyday tasks, such as paying bills or managing services, faster and more convenient for our customers. Users now benefit from a more intuitive and efficient digital experience, with capabilities such as freezing cards, resetting PINs, managing subscriptions, and accessing 24/7 chatbot support, all from within the app. These innovations not only improved service delivery, but also played a significant role in enabling our customers

Figure 7. Number of active Birbank users, 2022-2024



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to manage their financial interactions with ease. customers to manage their financial interactions with ease.

Birbank’s expanding usage is mirrored by the steady growth in card issuance, with debit cards rising to over 7.1 million and credit cards nearing 1 million by 2024 (Table 3). These figures highlight Birbank’s importance as a central platform for accessing and managing a range of banking products.

In parallel with these technological upgrades, a key area of focus in 2024 was advancing financial inclusion through design and outreach. At Birbank, we simplified onboarding processes for users with limited or no credit history and implemented accessibility features such as larger text, guided flows, and clear visuals tailored for our elderly customers. Regional outreach campaigns and assisted digital onboarding via branch staff

and telecom agents helped bridge the digital divide, enabling more customers to be able to transition to mobile banking (Figure 8). These efforts assured that innovation was accompanied by inclusivity, expanding access to financial services for traditionally underserved groups. Birbank’s development is underpinned by data-driven decision making and a strong personalization engine. By analyzing behavioral patterns and transaction histories, Birbank is able to provide tailored product recommendations, such as travel insurance following airline purchases or installment offers for high-value transactions. Engagement is continuously monitored through KPIs, including daily and monthly active users, feature usage, session frequency, and campaign conversion rates. These insights help us refine user journeys and deliver more relevant, timely offerings.

Table 3. Number of cards 2022-2024

Year	2022	2023	2024
Number of debit cards	4,740,640	6,142,042	7,197,076
Number of credit cards	881,911	888,619	975,457
Number of active salary cards	1,194,424	1,342,132	1,282,018
Number of pension cards	614,608	708,432	733,763

Building on this analytical foundation, technological upgrades have played a key role in strengthening Birbank’s resilience and scalability. The transition to a microservices-based architectures and cloud infrastructure has enhanced performance and availability, while full-stack monitoring and automated testing safeguard system stability. Load testing, post-incident analysis, and disaster recovery planning are integrated into operations to ensure uptime and provide reliable service, even during peak transaction periods.

Figure 8. Banking Inclusivity



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In parallel with these performance enhancements, we have continued to embed responsible practices into Birbank’s design and operations. All customers’ notifications and receipts are issued digitally, supporting paperless banking and reducing environmental impact. Responsible lending practices are reinforced through behavioral credit scoring models that align loan offers with users’ actual financial capacity, helping to prevent over-indebtedness and promote long-term financial health.

Looking ahead, Birbank will continue to evolve as a comprehensive digital ecosystem, with planned enhancements including the introduction of smart budgeting tools, automated savings plans, and expanded partnerships with fintech and service providers across insurance, education, and lifestyle sectors. Through these efforts, Birbank aims to offer customers not only more

functionality, but also a more thoughtful and supportive banking experience.

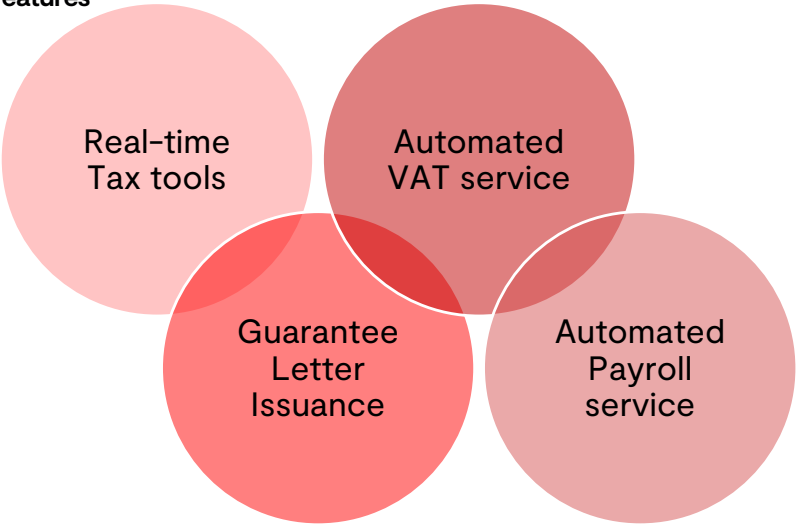
Birbank for Business: Financial Solutions for Enterprises

As part of our broader commitment to digitalization and inclusive service delivery, we transformed our corporate banking offering in 2024 with the launch and expansion of Birbank Business. Designed to meet the evolving needs of SMEs and larger enterprises, Birbank Business now serves as the primary digital gateway for our corporate clients, offering seamless access to banking products and services with speed, flexibility, and security.

This evolution was supported by a comprehensive rebranding of our corporate banking line under the Birbank name, bringing consistency to our digital

platforms and reflecting the shared architecture across our retail and business offerings. Alongside this rebranding, we introduced a suite of tailored features for business users (Figure 9). These enhancements were developed to simplify the everyday operations and reduce the administrative burdens of our corporate clients. Streamlining the onboarding process remained a key priority as part of our broader efforts to enhance client experience and operational efficiency. Through a fully digital enrollment process (Figure 10), clients can now register in minutes without visiting a branch. This onboarding model, combined with multi-user access and customizable permissions, has made the platform more accessible to a wider range of business of various sizes and sectors whilst maintaining the necessary regulatory safeguards.

Figure 9. Tailored Features



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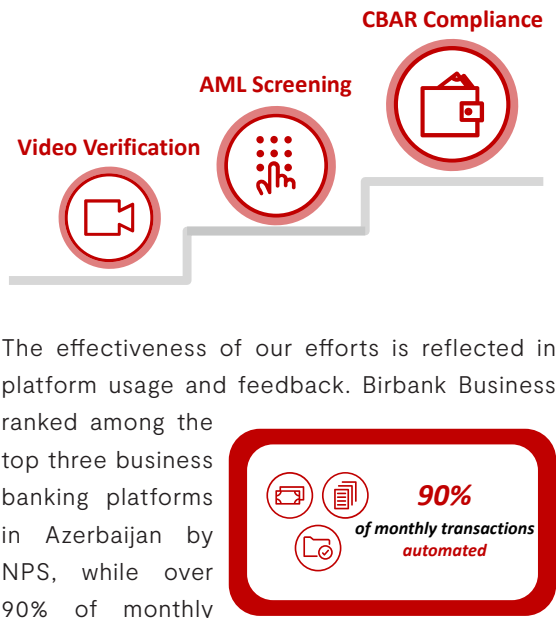
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Figure 10. Digital Enrollment Process



The effectiveness of our efforts is reflected in platform usage and feedback. Birbank Business ranked among the top three business banking platforms in Azerbaijan by NPS, while over 90% of monthly transactions were processed automatically, requiring no manual intervention. These figures indicate not only growing adoption but also improved operational efficiency for our clients. To meet more complex financial needs, Birbank Business also expanded its credit offerings. Clients can access collateral-free instant loans of up to 300,000 AZN in just minutes, alongside digital tools for managing trade finance, financial guarantees, and sustainable lending products. By allowing the entire process, from application to disbursement, to be completed online, we have reduced turnaround times and increase

convenience for business borrowers. Supporting these services is a data-driven personalization engine that adapts to each client’s behavior and transaction history. By segmenting users based on industry, payment activity, and engagement patterns, Birbank business can deliver targeted recommendations, assign tier-based rewards, and activate retention campaigns for clients showing signs of inactivity. This approach has strengthened user engagement while allowing for more relevant service delivery. The platform’s development is continuously informed by direct client feedback. Integrated reporting tools, behavior analytics, and UX testing allowing us to capture and act on input at every stage of the product lifecycle. These mechanisms have helped us improve interface design, streamline navigations, and ensure consistency across all platforms. In parallel, we strengthened the platform’s technical connectivity by enabling secure B2B and API integrations. In 2024, over 100 clients were onboarded through connections to internal ERP and accounting systems. These integrations allow business to conduct banking operations directly within their own service environments, increasing both speed and reliability. Advancements in automation and artificial intelligence further enhanced Birbank Business this year. From eliminating paper-based documentation to piloting GenAI-based assistants and deploying predictive models for client

behaviour, our use of technology has contributed to faster, more responsive banking operations. These capabilities also support more precise financial forecasting and service personalization. Looking ahead, Birbank Business will remain a strategic pillar of our digital ecosystem, with upcoming enhancements focusing on expanding sector-specific services, strengthening compliance tools, and deepening integrations with institutional partners. These ongoing developments are aimed at reinforcing the platform’s role in enabling efficient, accessible, and secure corporate banking across Azerbaijan.

Treasury and Investments

Our treasury and investment operations remain a fundamental pillar of our financial stability strategy, enabling prudent capital allocation, consistent profitability, and effective liquidity management. These functions form the backbone of the Bank’s balance sheet management strategy, aiming to maintain sound asset-liability matching, efficient capital deployment, and the preservation of financial stability under various market conditions. In 2024, we reinforced our position as a disciplined and trusted industry player through an active approach to interbank operations, fixed income investments, foreign exchanges and swap transactions, and domestic capital engagement.

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position as a disciplined and trusted industry player through an active approach to interbank operations, fixed income investments, foreign exchanges and swap transactions, and domestic capital engagement.

Our treasury operations focused on dynamic liquidity management through interbank lending and borrowing arrangements, which enabled the Bank to maintain optimal liquidity levels whilst supporting market-based funding. Complementary to this, the treasury department executed currency swaps and foreign exchange operations, generating additional revenue streams that contributed to the Bank’s profitability and liquidity buffer. These activities were aligned with the internal risk appetite framework, and each transaction was subject to rigorous internal controls and compliance oversight.

A cornerstone of our 2024 investment strategy was the continued focus on a fixed-income heavy portfolio, anchored in high-grade, liquid securities. The Bank’s investment portfolio remained tilted toward sovereign and quasi-sovereign instruments (Table 4). Additionally, we maintained selective exposure to corporate and financial institution bonds rated investment grade by international agencies. This portfolio structure supported our operations with consistent interest income, shielded capital against market volatility, and certified rapid access to liquidity when required. In accordance with our conservative approach, investments in equities, speculative-grade bonds, or complex synthetic products were excluded.

Table 4. Investment Portfolio Breakdown 2022–2024, thousands AZN

Investment tools	2022	2023	2024
Securities Issued by the Ministry of Finance of the Republic of Azerbaijan	1,341,613	808,650	1,602,678
Securities Issued by the Central Bank	399,613	224,124	52,894
US Treasury Bills	167,224	–	811,251
Corporate Bonds	392,481	379,368	356,844
Notes Issued by the Azerbaijan Mortgage Fund	216,720	177,000	141,149
Corporate Shares	11,108	13,055	15,305
Total	2,528,759	1,602,197	2,980,121

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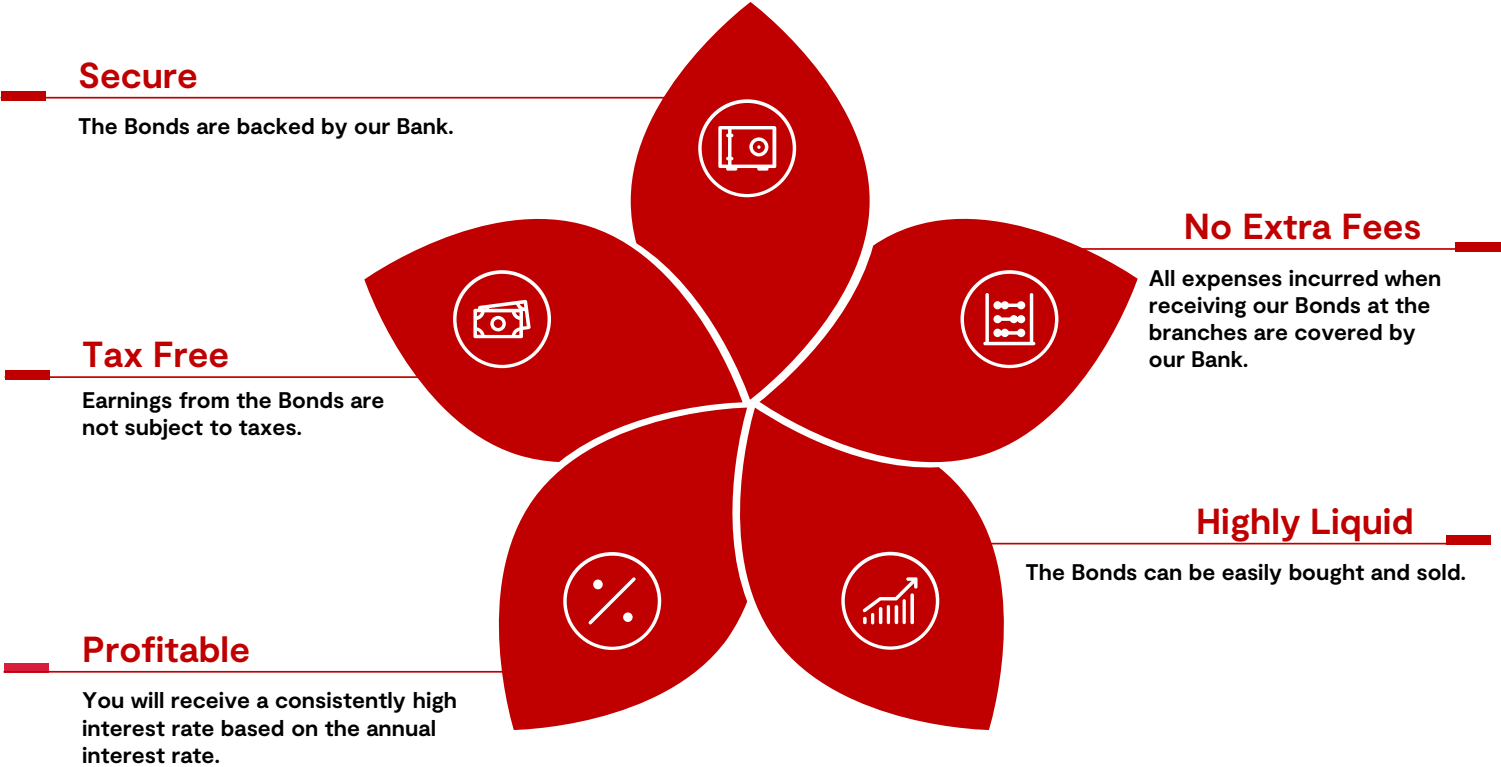
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In March, we launched our first USD tranche, totaling 10 million USD, which was fully subscribed within a short period. This launch was followed by subsequent placements, including bonds targeting both institutional and retail investors. Notably, a dedicated subscription mechanism was introduced to facilitate access for individual investors. These issuances were conducted under conditions that are stricter than many

international benchmarks in terms of investor disclosure and risk transparency. The process from the bond issuances were used to support long-term liquidity and support our capital adequacy objectives, demonstrating our proactive funding management amid evolving market conditions. The success of our bond issuances in 2024 was also supported by our investor-friendly features of the instruments offered (Figure 11). Our bonds

are designed to be secure, profitable, and highly liquid, with the added advantages of being tax-free and incurring no extra fees. These characteristics have made our bonds highly attractive to both retail and institutional investors., reinforcing trust in Kapital Bank and broadening our market participation.

Figure 11. Information about Bonds



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Underlying these activities was our updated “Securities Investment Policy”, which outlines clear eligibility criteria for investment instruments, defines limits based on credit ratings and country exposure, and establishes rigorous risk monitoring mechanisms. It permits investments in government bonds, corporate notes, and investment-grade ETFs (Exchange Traded Funds), whilst excluding subordinated instruments, or high-risk securities. We also apply defined benchmarks to international portfolios and conduct ongoing performance evaluations to keep aligned with expected risk-return profiles. A robust governance structure supports this framework, with the Investment Committee, Treasury Department, and the Risk Management Office working in coordination to warrant oversight and compliance. Our portfolio’s currency allocation remained

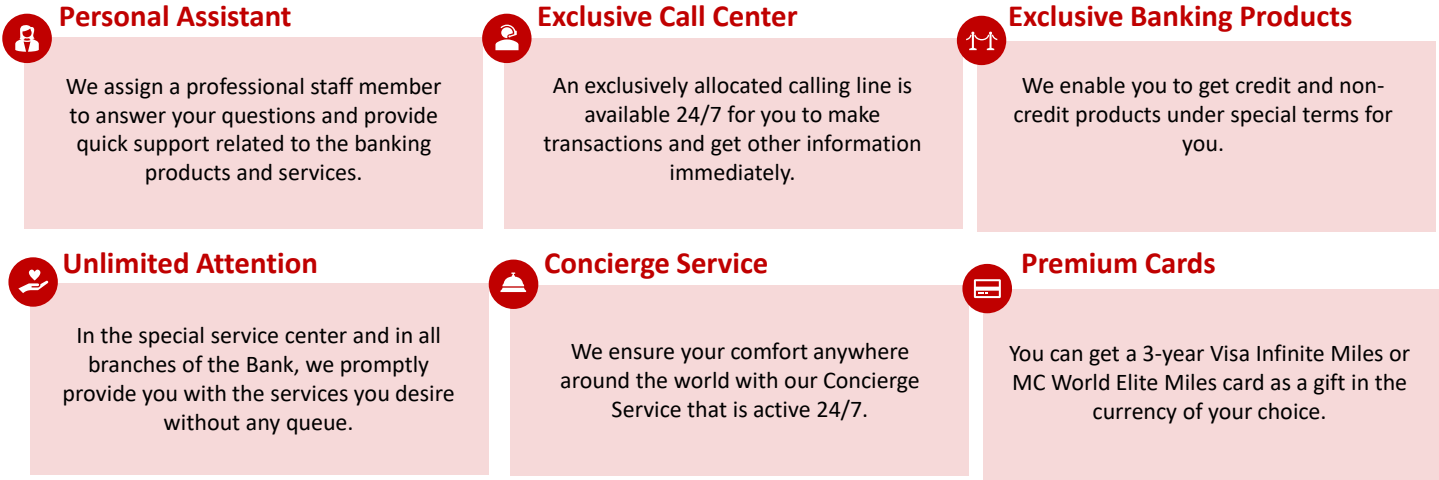
predominantly USD-based, reflecting market stability and alignment with international reserve standards, while AZN-denominated instruments supported local market development. Repo and reverse repo operations were actively utilized to managed short-term liquidity and optimize yields without compromising capital security. All such operations were conducted with strict counterparty and haircut limits, with particular preference for instruments issued by CBAR and other government backed entities. In sum, 2024 was a year in which we reaffirmed our commitment to responsible and sustainable financial management through a prudent, transparent, strategic bond issuance, and structured treasury and investment strategy. The combination of our disciplined portfolio construction, strategic bond issuance, and strong

internal governance made sure that the Bank remained well-capitalized, liquid, and resilient in the face of local and global financial challenges.

Private Banking

In 2024, we made significant progress in enhancing our Private Banking services under the Birbank Private brand. Our focus remained on delivering highly personalized, tech-enabled financial experiences to high-net-worth individuals (HNWI) while integrating sustainability considerations into every layer of service. In fact, our approach to private banking stands apart from standard digital banking by placing relationship management and tailored solutions at the core, thereby offering a wide range of exclusive services for our clients (Figure 12).

Figure 12. Private Banking Exclusive Services





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Since pioneering Azerbaijan’s digital banking transformation in 2018, we have continued to redesign all operations to meet evolving client needs. Our Birbank mobile app now serves over 3 million users, and through integrated technologies such as AI and chatbots, we analyze customer behavior to deliver proactive, personalized solutions. Biometric verification, two-factor authentication (2FA), and data encryption are embedded in our processes to maintain high standards of privacy and security. This combination of high-tech innovation and high-touch service ensures that our clients benefit from both convenience and trusted, relationship-based advisory support.

While digitalization remains central to our long-term strategy, we never lose sight of the importance of human interaction in the Private Banking segment. Each client is assigned a dedicated personal manager who supports their daily financial needs, investment planning, and customized credit solutions. As client expectations continue to evolve and gradually require us to equip our managers with more value-added services, we rolled out new campaigns and exclusive financial products, resulting in portfolio and revenue growth. Campaigns like “Double Privileges” allow clients to extend travel perks to their companions at no extra cost, reinforcing

our commitment to exclusivity and lifestyle enrichment.

Our private banking credit products are designed to adapt to each client’s individual profile. From consumer loans to real estate-backed financing, we develop customized terms based on client needs and preferences. The majority of our credit portfolio supports real estate, auto purchases, and home improvement projects. Speed and transparency are paramount to our internal processes are streamlined so that VIP clients receive swift, professional service, supported by offerings such as the Premium Installment Card, which allows for installment purchases across a wide merchant network.

Throughout 2024, we laid the groundwork for several key innovations. These included the introduction of the Gift Membership product, allowing our VIP clients to gift personalized private banking packages to their loved ones. We also prepared for a major enhancement in travel benefits, expanding the redemption options for Visa Infinite Miles cardholders to include not only airline tickets but also a wide array of tourism services through PASHA Travel.

We integrate sustainability into our credit and investment strategies by offering preferential terms for electric vehicle (EV) financing. Moreover, a growing share of our clients’ investment portfolios

now include ESG-compliant assets, giving them the opportunity to align financial goals with social and environmental responsibility.

Our investment offerings span personalized portfolios, real estate investments, stocks, and bonds. We tailor asset management strategies to match each client’s risk appetite and financial goals. ESG considerations are no longer a niche preference but a mainstream element of our investment planning, helping clients contribute to broader societal well-being.

Beyond financial services, Birbank Private delivers a lifestyle tailored to our clients, offering around-the-clock concierge and assistant support to manage everything from travel arrangements to event planning, without time or location constraints. Clients benefit from 24/7 priority service lines and enjoy an extensive range of travel privileges from CIP and fast-track airport services to global VIP transfers. Our premium cards (Visa Infinite Miles, Visa Infinite Cashback, and MasterCard World Elite Miles) extend lifestyle perks, offering cashback, mile accumulation, and exclusive access.

Every element of our offering is curated to match the needs and preferences of our clients, positioning Birbank Private as a leader in both service excellence and sustainable private banking.

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At the heart of this transformation was the consolidation of our loyalty infrastructure. The discontinuation of the m10 cashback program and full integration of Umico bonuses across Birbank and m10 platforms represented a major shift toward consistency in how rewards are earned and redeemed. This consolidation was critical eliminating fragmented rewards experiences and now enables customers to accumulate and send bonuses in a standardized manner across multiple services. This unified system lays the foundation for a future ecosystem-wide loyalty program, ensuring long-term scalability, and cross-platform engagement.

In parallel, our payment structure was upgraded to provide a more cohesive and rewarding experience. QR payments, which were previously operated through external systems, were brought

fully in-house and integrated directly into the Birbank and m10 applications. Customers can now make instant payments using QR codes and redeem Umico bonuses directly at Kapital Bank POS terminals. This enhancement not only streamlines the payment process but also incentivizes digital transaction through integrated rewards, contributing to a more frictionless, beneficial customer experience. By making sure that these digital payments are accessible across everyday retail environments, we have significantly broadened the reach of cashless convenience.

As part of our commitment to broadening access to digital financial solutions, we launched the “Tələbə Plus” card in collaboration with the Education Development Fund and Visa. This initiative extends the ecosystem to the student

segment by offering discounts and value-added services across education, healthcare, culture, dining, and more. The first cohort of cards was awarded to high-performing first-year students in Baku State University. With over 200 affiliated partner benefits and with future plans to expand to more institutions, this product represents both public-private partnership and a critical entry point into the ecosystem for young users. In this way, we are not only offering financial services, but embedding everyday student needs within the broader digital model.

To make sure that the customer experience remains unified and intuitive, we also refined the structure of our digital commerce services. The Umico marketplace was decoupled from the loyalty engine and redesigned to function as a standalone service layer. This separation

Figure 13. Ecosystem Partners



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improved platform performance, simplified navigation, and enabled deeper integration with other digital products. This transition reflects our focus on platform usability, allowing customers to access shopping, rewards, and transactions through a single, uninterrupted experience. Bridging this with developments like bonus-based payments and installment options through Trendyol, and public transit top-ups via BakıKart in Birbank and m10, demonstrates how we are integrating everyday lifestyle functions into the unified digital banking environment. Supporting these developments, we implemented a secure Ecosystem Data Warehouse, enabling encrypted information exchange across all platforms whilst maintaining strict confidentiality standards. Alongside this, the Bank completed a wide-scale customer verification campaign, deactivating unverified profiles and reinforcing a verified user base of over four million. This data driven approach guarantees consistency and integrity across services, supporting the Bank’s future ability to deliver personalized, cross-platform experiences. Looking ahead, we will evaluate ecosystem progress through cross-platform engagement indicators, reflecting how actively customers participate across multiple services. Data already shows that users who engage with more than one ecosystem component exhibit stronger loyalty, higher activity levels, and increased profitability. The long-term objective is to minimize reliance on branch visits, while preserving the option for

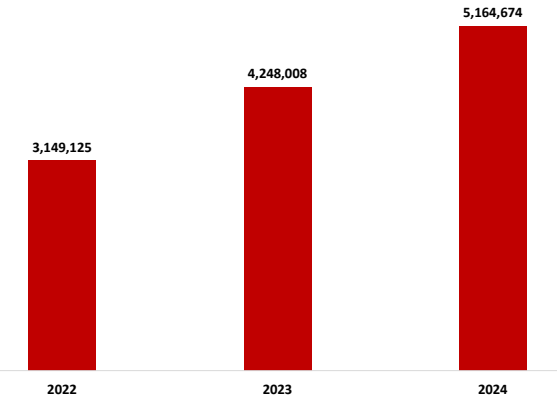
in-person interaction where needed. In doing so, we continue to build a seamless “phygital” experience, where digital convenience and human connection are fully synchronized. Our ecosystem strategy is a cornerstone of our forward-looking vision for sustainable, inclusive, and customer-driven growth. By interconnecting loyalty, payments, and commerce into a coherent and secure digital infrastructure, the Bank is not only enhancing convenience and operational efficiency but also creating a model for the future of responsible digital banking. Ultimately, our ecosystem strategy reflects Kapital Bank’s vision of building a sustainable, inclusive, and digitally unified financial experience. By interconnection loyalty, payments, commerce, and daily services through a secure and scalable infrastructure, we are not only enhancing operational efficiency but also redefining our model for the future of responsible digital banking.

Driving Long-term Economic Value Our Financial Contributions

Kapital Bank’s 2024 financial statements reflect another year of strong performance, strategic growth, and operational resilience, grounded in our commitment to responsible banking, financial sustainability, and effective risk management. Our profit for the year amounted to 275,313 thousand AZN, reaffirming our ability to generate stable returns amid a dynamic economic environment. Our total loan portfolio grew from 4.25 billion AZN to 5.17 billion AZN (Figure 14), a 21.6% year-on-

year increase, indicating strong credit activity and outreach. Loans to individuals rose significantly from 2.89 billion AZN to 3.50 billion AZN, making up 67.82% of the total loan book in 2024. This suggests a high focus on retail financial inclusion, especially for homeownership, as reflected by a 6.67% increase in mortgage loans from 571,201 (2023) thousand AZN to 609,307 thousand AZN (2024). Overall, there has been a steady growth in loans distributed to SMEs, government entities, and individual entrepreneurs. Lending to individual entrepreneurs has seen a particularly steep increase, by a remarkable 53.78% from the previous year, accounting for 570,097 thousand AZN. This reflects our support, both direct and indirect, for SMEs and self-employed individuals, which are critical for job creation, regional economic development and resilience.

Figure 14. Loan Portfolio 2022-2024, thousands AZN



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**Driving Long-term
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Driving Long-term Economic Value

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Our Financial Contributions

The Bank’s loan portfolio in 2024 reflects our dedication to sustainable economic development and increased financial inclusivity (Figure 15). Based on this, a significant portion of our lending, 67.82%, was directed to individuals, supporting financial inclusion and consumer access to credit. Notably, our loans to the trade and services sector had increased substantially, showcasing the Bank’s role in enabling small business growth and job creation. The sharp rise in financing for agriculture and food processing indicates our growing support for rural development. Similarly, the growth in transport sector lending and stable financing in telecommunication denotes investment in infrastructure that enhances

connectivity and mobility. Interest income from loans, which continued to represent the Bank’s primary revenue stream, reaching 655,344 thousand AZN. This growth underscores the Bank’s disciplined credit allocation strategy and reinforces its role as a leading financial intermediary in the Azerbaijani economy. Total interest income, including earnings from investment securities, cash balances, and other interest-bearing assets, rose to 895,660 thousand AZN. This marked a 24% increase year-on-year and further highlighted the Bank’s intermediary capacity. Interest expenses due to customers amounted to 177,250 thousand AZN, reflecting the cost of managing a growing

and diversified deposit base. Kapital Bank’s total assets reached 11.55 billion AZN by year-end (Figure 16), marking a 31% expansion in financial capacity in comparison to the year prior. At the same time, amounts due to customers to 9.05 billion AZN, showcasing customer confidence and the strength of the Bank’s funding model. Liquidity and capital positions remained robust throughout the year. The Liquidity Coverage Ratio stood at 145.8%, well above the 100% requirement, demonstrating Kapital Bank’s capacity to meet short-term obligations with ease. In terms of capital adequacy, the Tier 1 Capital Ratio was 8.76%, and the Total Capital Adequacy Ratio reached 13.29%,

Figure 15. Loan Distribution, by sector

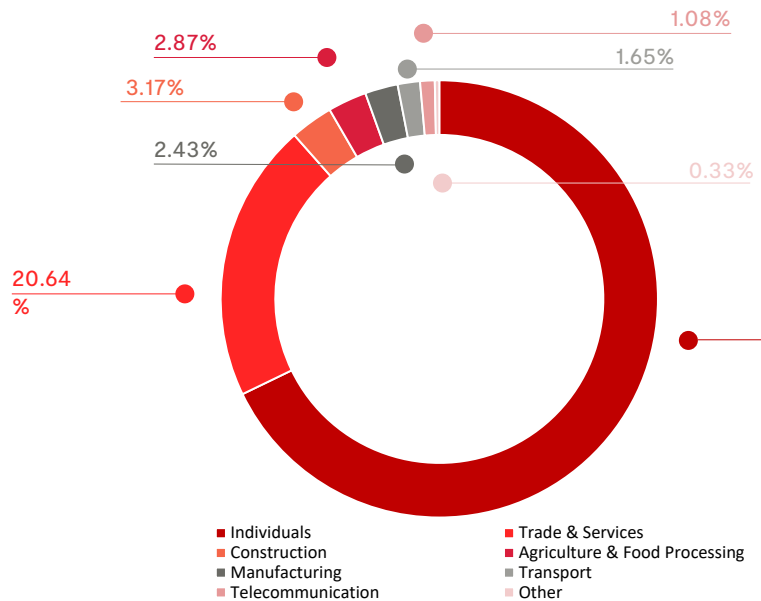
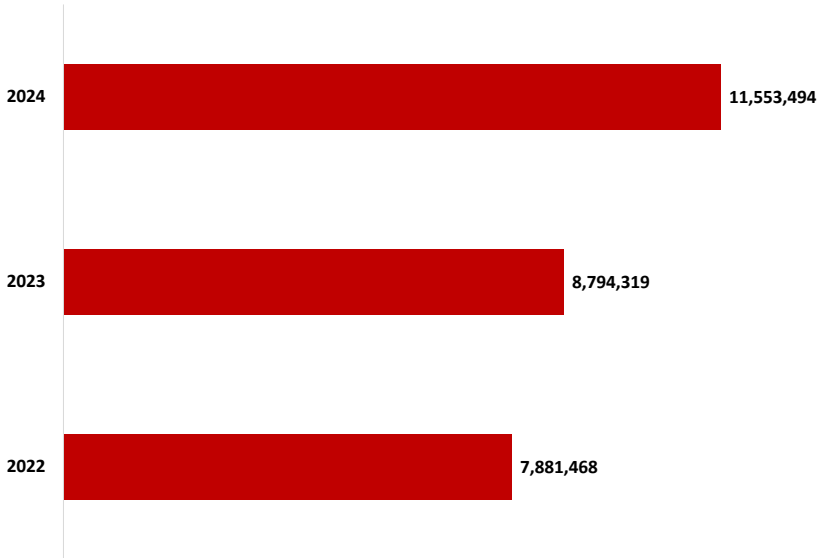


Figure 16. Total Assets 2022–2024, thousands AZN



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both comfortably meeting regulatory thresholds, reaffirming the Bank’s financial strength and long-term stability.

In addition to its strong balance sheet and earnings performance, we continued to support the national economy through direct fiscal contribution. The Bank paid 94,807 thousand AZN in income tax and distributed 176,112 thousand AZN in dividends to shareholders during the year. These outflows represent a tangible commitment to creating value not only for shareholders, but for the broader economy.

In line with this principle, Kapital Bank applies a transparent and responsible approach to taxation across all its operations. The Bank’s Tax policy, developed in accordance with the legal framework of the Republic of Azerbaijan, establishes clear principle for full compliance, accuracy in tax reporting, and the avoidance of aggressive tax planning. All income is declared in the jurisdiction where the corresponding economic activity occurs, and disclosures are based on verifiable documentation. Internal controls are in place to ensure the accuracy and traceability of all tax-related processes. By adhering to these standards, Kapital Bank not only meets its legal obligations but also reinforces its role as a trustworthy and ethical corporate entity.

Overall, our 2024 financial metrics and fiscal contributions reflect Kapital Bank’s ability to sustain long-term growth through strong financial management and effective risk governance. With a strong foundation in place,

the Bank is well equipped to continue delivering value, strengthening the financial system, and supporting Azerbaijan’s broader development goals.

Customer Experience Enhancing Customer Satisfaction

We place customer centricity at the core of our operations, recognizing that long-term relationships built on trust, relevance, and responsiveness are key to sustainable success. By consistently enhancing the quality and accessibility of its services, the Bank seeks not only to meet customer expectations but to anticipate them, assuring that every interaction reinforces loyalty and strengthens our role as a trusted financial partner. This commitment is reflected in a customer satisfaction strategy that prioritizes satisfaction, inclusion, and innovation as drivers of lasting impact.

In 2024, we advanced our customer service capabilities through a multidirectional strategy built around real-time responsiveness, intelligent automation, and rigorous service quality control. A significant milestone was the introduction of our dedicated hotline for corporate clients, specifically configured for corporate and SME customers to address transactional queries, POS terminal support, and general assistance. This shift not only improved response times and resolution quality for business clients, but also streamlined the overall service infrastructure

across our customer segments. The organization and oversight of our call center is governed by internal regulations that define its operational structure, employee responsibilities, and service standards. Our call center is divided into functional units, handling both informational and transactional requests for our clients, and operating under clearly defined protocols for call handling, customers identification, and escalation. Daily operations are guided by detailed procedures that emphasize responsible handling of customer data, fair treatments, and service continuity. Performance is monitored through a comprehensive KPI framework that includes metrics such as service level, first call resolution, and customer satisfaction (Figure 17). These indicators are tracked on a daily basis and form part of the Bank’s monthly internal performance reviews, enabling timely operational adjustments and continuous service improvement.



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Enhancing Customer Satisfaction

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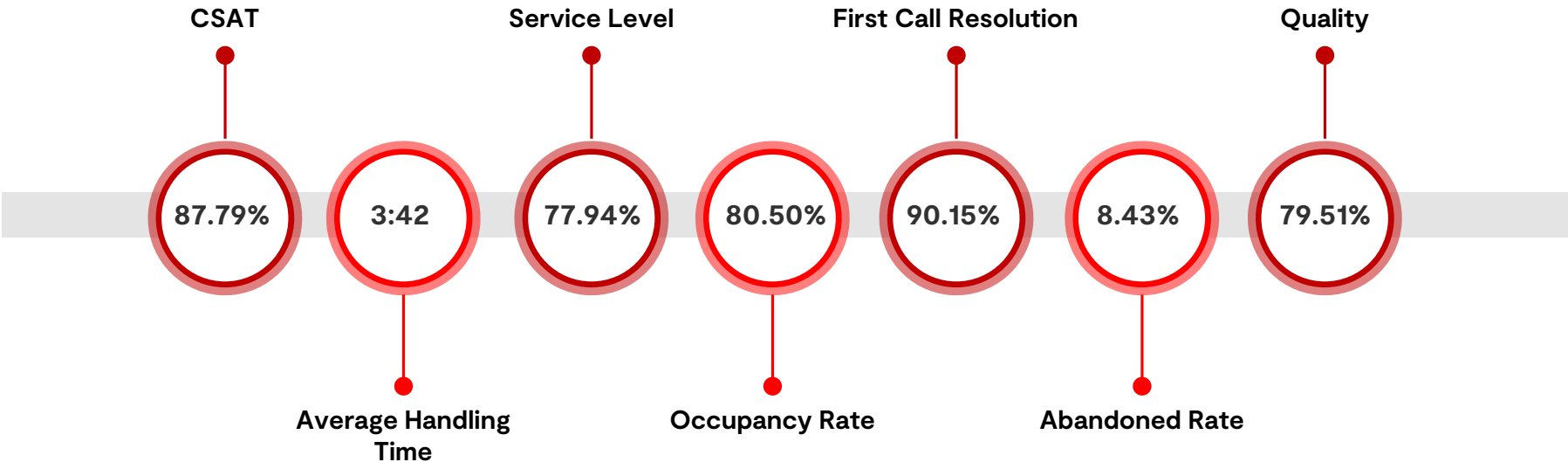
operating under clearly defined protocols for call handling, customers identification, and escalation. Daily operations are guided by detailed procedures that emphasize responsible handling of customer data, fair treatments, and service continuity. Performance is monitored through a comprehensive KPI framework that includes metrics such as service level, first call resolution, and customer satisfaction (Figure 17). These indicators are tracked on a daily basis and form part of the Bank’s monthly internal performance reviews, enabling timely operational adjustments and continuous service improvement.



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Figure 17. 2024 Average KPI Metrics



At the core of our call center’s transformation was the deployment of AI-powered tools, most notably our GPT-based chatbot. Designed to handle both operational and informational inquiries, our chatbot resolves over half of all incoming queries without requiring human intervention. This significantly improved first-response efficiency and freed up resources for more complex customer needs. Integration with CRM systems also enabled frontline employees to immediately identify returning callers and access their service history, allowing for more personalized and informed conversations. This is elaborated further in the Innovation in Banking Services section of the report.

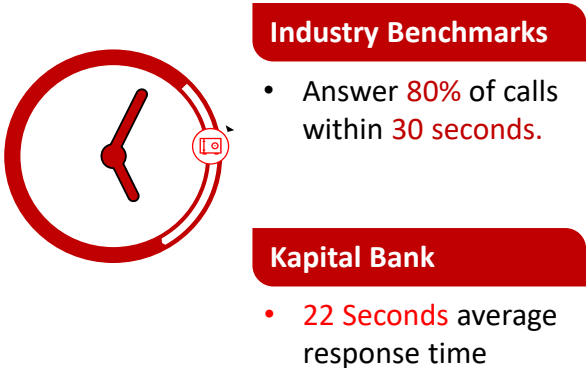
As well as automation and streamlining, service excellence was monitored through a robust system of performance indicators, operational dashboards, and voice-of-customer programs. Key KPIs were tracked across all interaction channels, with benchmark targets clearly identified (Figure 18). Service quality evaluations were governed by formal procedures and carried out monthly by our “Customer Satisfaction Department”. These included randomized reviews of recorded service interactions, systematic evaluations of voice and chat communications, and scoring based on clearly defined criteria, such as product knowledge, communications clarity, and

adherence to service standards. All assessment directly informed employee performance reviews and incentive structures, creating a continuous loop of monitoring, feedback, and development to keep service consistency across all channels. To certify consistency in customer experience across channels, we institutionalized a unified set of corporate service standards for our front-office, digital, and remote service teams. Employees were trained on clearly defined behavioral communication protocols, covering everything from voice tone and language use to customer privacy, complaint handline, and conflict de-escalation. These standards were enforced through regular audits, incident evaluations, and

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Figure 18. Call Response Time



real-time compliance tracking mechanisms. As outlined in our performance control documents, any deviation, such as the use of inappropriate language or failure to follow the privacy protocol, will result in performance score nullification for that period.

Building on this, we consistently monitor our customer feedback to improve and cater to their needs, and thus remains a central driver of our service development. Following each interaction, customers were invited to provide immediate feedback via SMS or follow-up calls, with responses scored on a 5-point scale. These results contributed to employee evaluations and aided in the development of new training modules. Where feedback indicated gaps in communication or service speed, targeted training was developed, covering onboarding, production education, and customer empathy skills, to uphold our services to the highest standards. Employees who

consistently excelled were recognized with public acknowledgments and reward programs, including gifts and team-wide celebrations (Figure 19).

Figure 19. Customer Feedback Process



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Beyond measurement and responsiveness, we also invested in inclusive service delivery. From physical accessibility enhancements at branches, to simplified mobile features, and the development of future services for visually or hearing-impaired customers, we took proactive steps to provide equitable access to financial services. Our employees received training on respectful, patient communication with vulnerable groups, including seniors or individuals with disabilities, supporting our service culture grounded in empathy and care.

In the future, we will remain committed to expanding the reach and intelligence of our customer service tools. We plan to develop our chatbot functionality to move beyond FAQ-driven logic to support open-minded customer queries, whilst additional investments in CRM integration and workforce empowerment tools will assure that customer-facing employees have the right insights to deliver even more personalized support. Through this integrated approach, combining technology, transparency, and human-centered

service, we at Kapital Bank continue to elevate the experience of our customers. By reinforcing loyalty, expanding access, and creating systems of accountability, we position customer satisfaction not only as a performance metric, but as a strategic enabler of trust and long-term value creation.



Sustainability through digitalization



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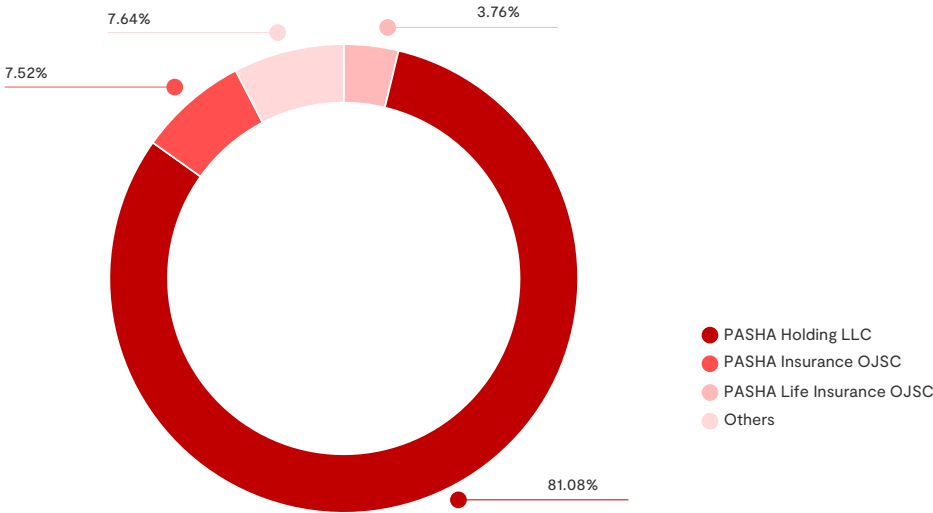
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At Kapital Bank, corporate governance is underpinned by a comprehensive system of principles, policies, and oversight mechanisms that altogether, sustain sound management and strategic direction across the whole organizational structure (Figure 20). This system is shaped by both statutory obligations and the Bank’s internal governance ethos, establishing a foundation for responsible leadership and long-term sustainable performance.

The organizational structure of the Bank consists of the Shareholders’ General Meeting, the Supervisory Board, the Audit Committee, and the Executive Board. Each member of the Supervisory Board, Audit Committee, and Executive Board is required to disclose any significant commercial interests, either directly or indirectly related to themselves or their family members, to the Supervisory Board. These disclosures are made upon appointment and updated as necessary in accordance with internal regulations. Furthermore, if any member has a conflict of interest regarding matters discussed by the board or committees, they must refrain from participating in the discussions and decisions. All agreements involving the Bank’s shares by the above-mentioned bodies must be disclosed in compliance with the Civil Code of the Republic of Azerbaijan. Additionally, related-party transactions involving members of the governing bodies must also adhere to the legal framework defined in the Civil Code, including

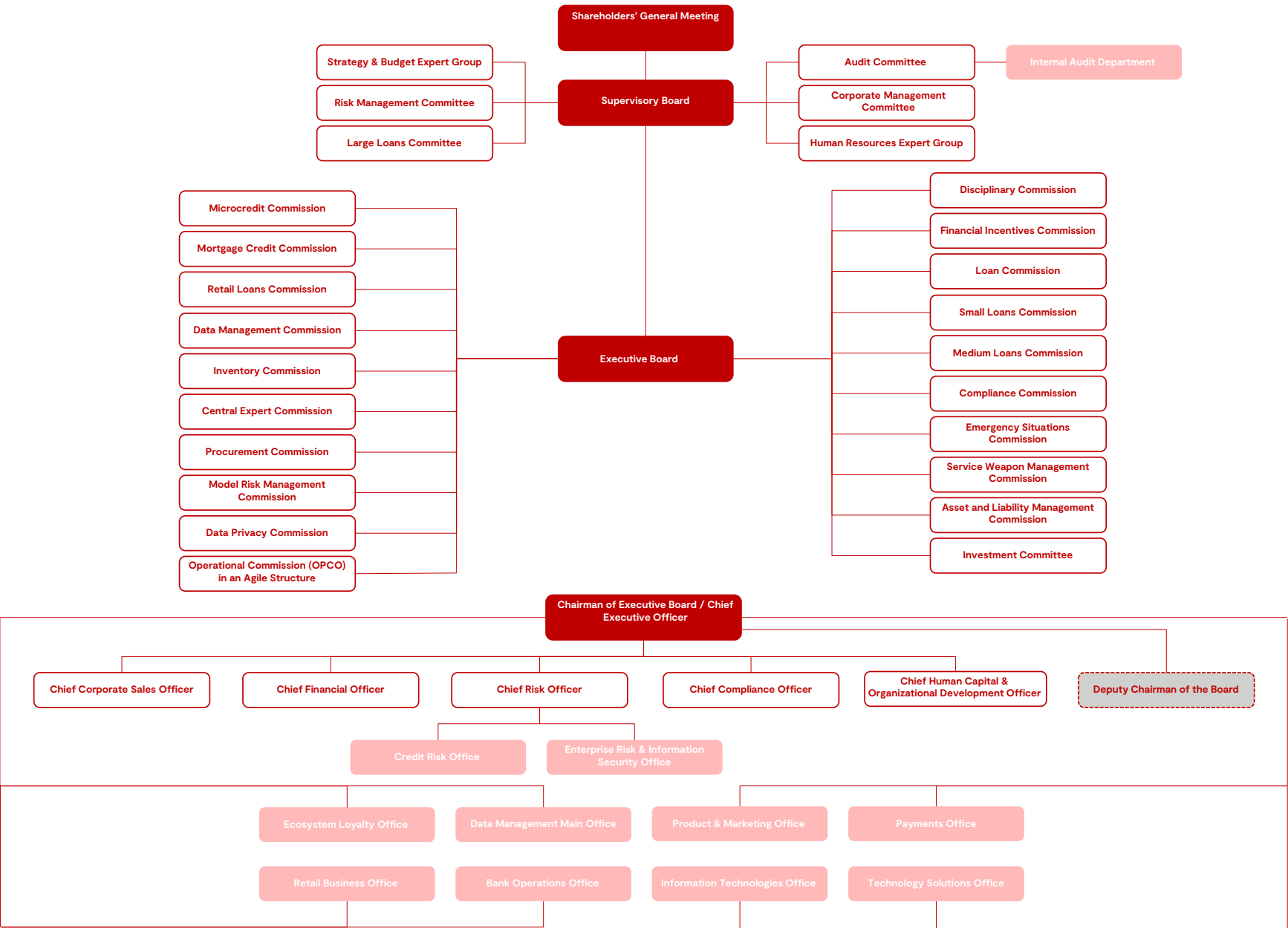
proper evaluation and approval procedures.



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Figure 20. Organizational Structure



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Shareholders' General Meeting

The Shareholders' General Meeting plays a critical role through its exclusive responsibilities as well as its structured and regulated procedures across several areas (Figure 21). The Shareholders' General Meeting, convening at least once a year within two months of the publication of the Bank's audited financial statements, ensures

transparency, inclusivity, and legal governance. Regular meetings are held at least once per year, and extraordinary meetings are gathered at any time upon the request of shareholders holding at least 5% of voting shares, or by the Supervisory Board, Audit Committee, or Management Board. These procedural distinctions ensure that urgent matters can be addressed

without waiting for the annual meeting cycle. The agenda of each meeting is either determined by the Supervisory Board or, in the case of extraordinary meetings, must reflect the requests of those calling the meeting. Any shareholder group with at least 5% of voting rights may formally propose agenda items, provided this is done within a specific timeframe – no later than 30 days

Figure 21. Roles and Responsibilities of the Shareholder's General Meeting



Governance & Legal Framework

- » Approve and amend the Bank's Charter.
- » Approve and amend internal regulations.
- » Approve rules on disclosure of commercial interests by administrators.



Strategy & Policy-Setting

- » Define policies on interest rates, asset allocation, financial, accounting, administrative, and HR matters.
- » Set terms and duration of employment for Bank executives.



Board & Executive Appointments

- » Appoint and dismiss Management Board members, approve its regulations.
- » Appoint and dismiss Supervisory Board members, approve its regulations and decide on employment terms.



Financial Oversight

- » Approve the Bank's budget.
- » Approve audited annual financial reports, decide on profit reserves and dividend payments.



Audit & Risk Management

- » Decide on scheduled or unscheduled audits and appoint external auditors.
- » Define authority limits for executives to take on obligations on behalf of the Bank.



Corporate Structure & Expansion

- » Decide on participation in other companies; establish/terminate branches, departments, and rep offices.
- » Establish or liquidate subsidiaries, decide on acquiring other banks.



Major Corporate Transformations

- » Decide on sale, reorganization, or liquidation of the Bank.
- » Resolve other matters assigned by law or Charter to the Assembly.



Capital & Ownership Decisions

- » Make decisions on increasing/decreasing charter capital, share issuance terms, and acquisition of significant stakes.

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after the end of the fiscal year and at least 60 days before the meeting date. This allows minority shareholders to participate actively in setting the discussion points, thereby supporting democratic governance. The voting process is managed by a dedicated Counting Commission, consisting of at least three impartial members who are not part of the Supervisory Board, Audit Committee, or Management Board, nor candidates for those bodies, therefore, ensuring the independence of vote tallying. After the meeting, the commission must prepare and submit a voting results protocol within three business days, which is then archived.

Shareholders may also participate in decision-

making through absentee voting, by submitting notarized or otherwise legally validated voting instructions. These must be received at least three business days before the meeting. If a shareholder casts a vote this way, it is announced during the meeting and formally recorded in the minutes, with the documents attached for recordkeeping.

Decision-making thresholds vary depending on the nature of the resolution. Amendments to the charter, appointments or dismissals of Supervisory Board members, and major structural changes such as sale, acquisition, or liquidation of the Bank require a 75% supermajority of represented voting shares. All other matters are

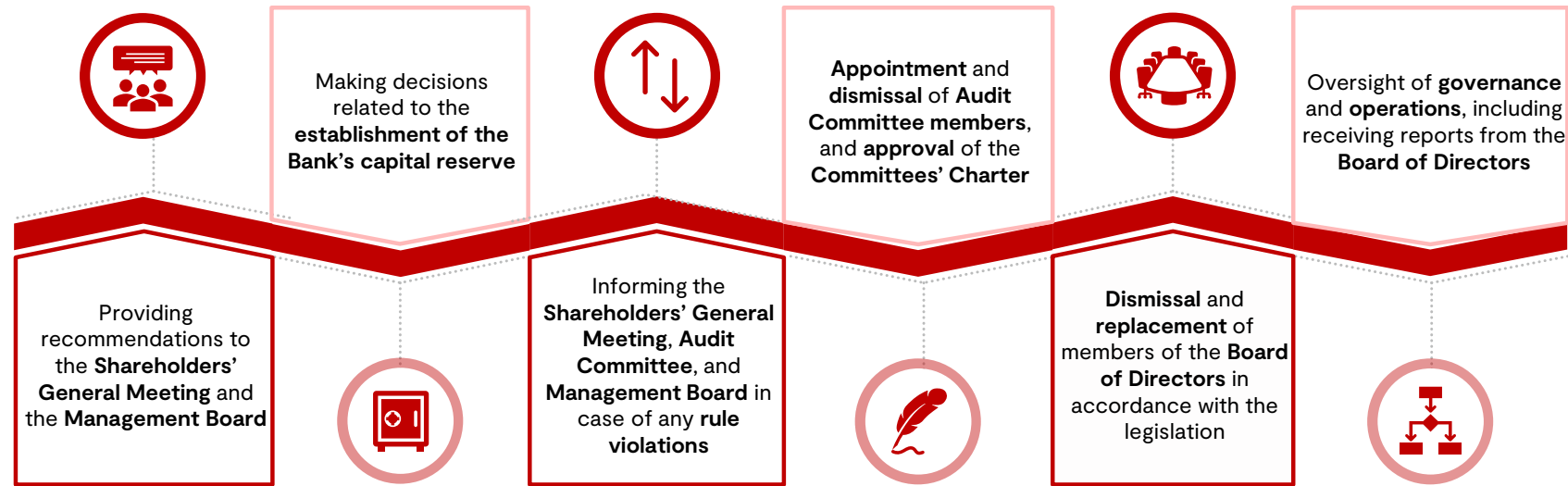
decided by a simple majority.

Finally, all decisions made during the General Meeting must be disclosed to shareholders either immediately or within 15 calendar days of the meeting.

Supervisory Board

The Supervisory Board is a key governing body responsible for overseeing the management and strategic direction of the Bank (Figure 22). It advises the General Meeting of Shareholders and the Executive Board, approves meeting agendas, and monitors legal and regulatory compliance. The Board is empowered to inform shareholders

Figure 22. Supervisory Board Functions



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of any violations, propose corrective actions, and dismiss directors in case of legal breaches. It also approves capital adequacy decisions, appoints, or removes members of the Audit Committee, and supervises the Bank's operational and financial integrity. In addition, it has authority over strategic matters such as authorizing transactions that exceed 50% of the Bank's capital, initiating audits, and evaluating the

performance of both the Bank and its subsidiaries. The Supervisory Board consists of no fewer than three members, elected for three-year terms by the General Meeting of Shareholders, either from among shareholders or external candidates. The Chairman is appointed from within the Board. Meetings are held at least once every three months and can be convened extraordinarily upon written request by the Audit

Committee, the Executive Board, or financial market regulators. Decisions are made by majority vote, with the Chairman holding the deciding vote in case of a tie. All meetings are documented and signed by attendees, reinforcing the Board's role in upholding accountability and oversight across the Bank's operations.



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The Supervisory Board operates through a number of specialized committees and expert groups (Figure 23). These bodies are designed to support the Board in fulfilling its responsibilities

Figure 23. Supervisory Board Committees

by providing in-depth analysis, expert recommendations, and regular reporting on key areas such as risk management, budgeting, audit, corporate governance, and human resources.

Each committee plays a vital role in enhancing transparency, accountability, and alignment with regulatory and internal standards across the Bank’s operations.

Strategy & Budget Expert Group The Expert Group within its competence controls the preparation and implementation of the Business Plan of the Bank, provides feedback and suggestions to the Supervisory Board on the preparation and effective implementation of the Bank’s budget in accordance with the goals determined in the Business Plan.	Risk Management Committee The Risk Management Committee supports the Supervisory Board by submitting the Bank’s risk appetite statement, risk management policy, and related procedures for review and approval, while also recommending current and future risk appetites. It reviews the risk policy annually, oversees the implementation of risk frameworks, and works closely with the Chief Risk Officer to monitor risk culture, policy adherence, and limit breaches. The Committee ensures that capital, liquidity, and all key risk types are managed in line with the Bank’s risk appetite and regularly reports its assessments to the Supervisory Board.
Large Loans Committee The Committee makes decisions on behalf of the Bank within the limits set by the Supervisory Board, specifically concerning loans, documentary transactions, and any changes or restructuring of their terms. It also provides recommendations on the Bank’s credit policy and submits an annual report on its activities to the Supervisory Board.	Audit Committee The Audit Committee exercises its authority in accordance with the Laws on Banks and Internal Audit of the Republic of Azerbaijan, overseeing the Bank’s accounting policy and ensuring the transparency and compliance of its financial statements. It reviews external audit recommendations on internal control and risk management and approves internal audit plans for submission to the Central Bank. The Committee ensures that the external auditor receives timely access to all relevant information and documentation and is promptly informed of any significant audit findings. Additionally, it submits annual internal audit reports and provides further audit-related information to the Central Bank upon request.
Corporate Management Committee The Corporate Management Committee oversees the Bank’s organizational and management structure to ensure alignment with corporate governance standards, reports non-compliances to the Supervisory Board, and recommends corrective actions. It advises the Board on legal changes affecting governance, monitors the transparency of public disclosures, and evaluates the Bank’s remuneration process annually in collaboration with the Risk Management Committee. The Committee proposes remuneration levels, assesses performance indicators for key staff, and reviews internal and external factors influencing compensation policies. Additionally, it provides recommendations on candidates for the Supervisory Board and its committees, manages board succession planning, and sets the terms of appointment and compensation for independent board members.	Risk Management Committee The Committee is formed to conduct preliminary examination and provide recommendations to the Supervisory Board with respect to priority tasks of the human resources policies of the bank.



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Evaluation of the Highest Governance Body

Building and sustaining a culture rooted in transparency and accountability is a core principle guiding our operations. We place strong emphasis on the decisive influence of corporate governance in fostering sustainable development and delivering lasting value to all stakeholders. Our commitment includes adopting and applying leading international practices that support long-term growth. We assess the performance of the Bank’s senior leadership based on top-tier corporate governance standards. In this regard, the Compliance Department plays a critical role by maintaining the integrity of the process. Each year, the department gathers, reviews, and analyzes self-assessment questionnaires completed by the members of the Executive Board and the Supervisory Board. The department then synthesizes these findings into a comprehensive report and submits it to the Supervisory Board and the Executive Board for review.

Executive Leadership and Decision-Making

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Figure 24. Executive Board Members



Farid Huseynov
Chairman of the
Board, Chief
Executive Officer

Career

He began his professional career in 2001 at “Bank of Baku” OJSC. In July 2007, he was appointed Deputy Chief Executive Officer, and between 2013 and 2015, he served as the Bank’s Chief Executive Officer. Currently, Farid Huseynov serves as the Chief Executive Officer of Kapital Bank. Prior to this role, he worked as the First Deputy CEO from February 2017 to May 2023, and as the Chief Operating Officer from May 2015 to February 2017.

Education

Farid Huseynov began his academic career at Azerbaijan State University of Economics (UNEC) and has earned several academic degrees. He holds a bachelor’s degree in Finance, followed by a master’s degree in the same field. His deep involvement in the financial sector led him to earn a Ph.D. in Banking and Financial Support Services between 1999 and 2010.



Javid Mirzayev
Board Member,
Chief Risk Officer

Career

He has been working at Kapital Bank since January 2014. Javid Mirzayev began his career at the Central Bank of Azerbaijan, where he worked for ten years—from April 2004 to April 2014—in the Banking Supervision Department, eventually holding the position of Chief Specialist.

Education

In addition to his practical experience, Javid Mirzayev possesses a strong academic background. He studied at the Faculty of Economics at UNEC, earning both his bachelor’s and master’s degrees. He further reinforced his knowledge of economic theory and practical expertise. His attainment of an Executive MBA from the prestigious London Business School demonstrates his deep understanding of global business dynamics and strategic management.

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Emin Mammadov
Board Member,
Chief Financial
Officer

Career

Emin Mammadov has been working at Kapital Bank since December 2013. He began his career at "Bank of Baku" OJSC, where he served in the Operations Department as an expert from January 2007 to October 2013, ultimately becoming the Head of the Finance Department. At the end of 2013, he joined Kapital Bank as Head of the Finance Department. He was later appointed as the Chief Financial Officer and became a member of the Board of Directors.

Education

From 2003 to 2007, he studied at UNEC, earning a bachelor's degree in International Economic Relations. He continued his studies at Khazar University from 2007 to 2010, receiving an MBA in Finance. In 2017, Emin Mammadov earned an Executive MBA degree from the Booth School of Business at the University of Chicago.



Fargana Mammadova
Board Member,
Chief Human Capital
and Organizational

Career

Fargana Mammadova is a seasoned professional with a multifaceted career spanning over twenty years. She began her career in 2000 at SOS Children's Villages – Azerbaijan Association, where she rose to the position of National Director. Her growing expertise in human resources later led her to become Director of the HR Department at "Bank of Baku" OJSC. In 2015, she assumed the same role at Kapital Bank OJSC. Demonstrating exceptional leadership and strategic thinking, she was promoted in January 2023 to Head of the Organizational Development Department. As of July 2023, she serves as a member of the Board of Directors and Chief Officer for Human Capital and Organizational Development at Kapital Bank.

Education

In addition to her extensive professional experience, Fargana Mammadova has a strong academic background. She earned both her bachelor's and master's degrees in International Law from Baku State University and later expanded her expertise with a second degree in Practical Psychology. She is also a certified professional coach by the International Coaching Federation (ICF) and an expert in Neuro-Linguistic Programming (NLP) techniques.



Farid Hidayatzade
Board Member,
Chief Corporate
Sales Officer

Career

Farid Hidayatzade began his professional career in 2001 as a software engineer. In March 2005, he joined Kapital Bank OJSC as a specialist. In 2008, he moved to Pasha Bank OJSC, where he worked for five years and rose to the position of Senior Client Manager in the Corporate and Commercial Banking Department. In July 2013, he returned to Kapital Bank as Head of the Corporate Banking Department. His continued advancement at Kapital Bank led to his appointment as Chief Corporate Sales Officer in May 2018, and later, in November 2019, as Chief Director of Corporate and SME Sales. On June 1, 2023, he was appointed a member of the Board of Directors and Chief Corporate Sales Officer.

Education

Farid Hidayatzade's strong academic foundation complements his extensive practical experience. He earned both his bachelor's and master's degrees in International Economic Relations and Finance-Credit from Azerbaijan State University of Economics.



Kamal Abdullayev
Board Member,
Chief Compliance
Officer

Career

Kamal Abdullayev began his professional career in 2001, gaining valuable experience at companies like BP and Pasha Bank. He joined "Kapital Bank" OJSC on July 29, 2013, as Director of the Compliance Department. He was promoted to Chief Compliance Administrator on April 1, 2019, and later became General Director of the Legal and Compliance Department on November 1, 2019. On November 3, 2023, he was appointed Chief Compliance Officer.

Education

With a strong background in the banking sector, Mr. Abdullayev holds a bachelor's degree in international law from Western University. He furthered his education between 2006 and 2010 at the National Aviation Academy, concentrating on economic and managerial aspects of production and service industries. In 2019, he obtained a master's degree from IE Business School.

To support the effective execution of its responsibilities, the Executive Board is assisted by a number of specialized commissions and committees that focus on key areas of the Bank's operations (Figure 26). These bodies are established to provide in-depth analysis,

oversight, and recommendations on matters such as risk management, credit approvals, asset and liability management, compliance, and internal controls. Each committee operates under a defined mandate and reporting structure, ensuring that decisions are well-informed and aligned with

the Bank's strategic objectives and regulatory requirements. This structure enhances the Board's capacity to manage complex operational challenges and maintain sound governance across all business functions.

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Figure 25. Executive Board Commissions

Microcredit Commission

The Commission is a collegial body created to manage credit activities in the Bank (consideration of applications for microcredits, other products for microbusiness approved by the Board of Directors, and applications for restructuring under standard and non-standard conditions (interest rate, term, fee, amount, collateral, etc.).

Inventory Commission

The Commission was established for the purpose of discovering the actual existence of the Bank's property, reconciling the actual existence of the property with accounting information, checking the full reflection of liabilities in the accounting, checking the correct reflection of the property valuation, and determining the state of the property on the inventory date.

Mortgage Credit Commission

The Commission provides assistance to the Board of Directors in the field of credit (mortgage loans and their restructuring, as well as restructuring carried out in relation to mortgage loans issued to individual customers at the expense of the Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan (MCGF)) risk management in accordance with the adopted credit policy.

Central Expert Commission

The Commission carries out the examination of documents in the Bank and provides guidance and methodical assistance in the examination work.

Retail Loans Commission

The Commission assists the Board of Directors in managing credit (consumer loans in the amount that the Commission can consider and make decisions within the powers granted to the Commission by the Board of Directors and/or the Supervisory Board) risks in accordance with the adopted credit policy.

Procurement Commission

In accordance with the procurement policy of the Bank, the Commission works on the effective and economical use of funds, the conclusion of contracts of sale on favorable terms for the Bank, the protection of property interests of the Bank and risk management in the field of procurement.

Data Management Commission

The Commission is responsible for identifying the owners of data fields, ensuring inter-field coordination, resolving disputes in the field of data management and quality control.

Model Risk Management Commission

The Commission implements the requirements of regulatory documents related to risk policy and models and proposes changes to them, as well as approves model plans and makes a decision on the algorithm of new models or currently used models.

Disciplinary Commission

The Commission decides to provide the employer with proposals on bringing the Bank's employees to disciplinary responsibility in case of non-fulfillment of their obligations established by the Labor Code and other legal acts, abuse of rights or non-fulfillment of obligations under a labor contract.

Loan Commission

In accordance with the adopted credit policy of the Bank, the Commission manages credit risks (here "credit" refers to the term of "Bank loan", provided by the law "On banks"), makes decisions on issuing loans, as well as changes the terms of the issued loans within its competence.

Financial Incentives Commission

The Commission was created in order to comply with the main provisions of the remuneration policy and recommendations of the Board of Directors.

Small Loans Commission

In accordance with the adopted credit policy of the Bank, the Commission manages small credit risks (here "credit" refers to the term of "Bank loan", provided by the law "On banks"), makes decisions on issuing loans, as well as changes the terms of the issued loans within its competence.

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Figure 26. Executive Board Commissions

Medium Loans Commission

In accordance with the adopted credit policy of the Bank, the Commission manages medium credit risks (here “credit” refers to the term of “Bank loan”, provided by the law “On banks”), makes decisions on issuing loans, as well as changes the terms of the issued loans within its competence.

Compliance Commission

The Compliance Commission of “Kapital Bank” Open Joint Stock Company operates on the basis of the Law of the Republic of Azerbaijan “On Banks”, the Law of the Republic of Azerbaijan on the Prevention of the Legalization of Criminally Obtained Property and the Financing of Terrorism, other legal acts and this Regulation. The purpose of the Commission is to conduct discussions on compliance issues and make prompt decisions.

Emergency Situations Commission

The Commission organizes emergency rescue and other urgent work on the prevention of emergency situations in the territories owned by the Bank, in the areas used by the Bank, as well as the elimination of their consequences.

Service Weapon Management Commission

The Commission is responsible for solving the issues related to checking the relevant knowledge and skills of the employees of the Bank who have been conscripted, as well as those who are expected to be conscripted in the future, to prepare and teach a training program for the purpose of educating the employees, with the participation of the employees of the local police body of the Ministry of Internal Affairs, to improve the knowledge and skills of the employees. It is a collegial body created to ensure verification and evaluation, the lifting of the decree on the issuance by the MIA of the certificate confirming the right to keep, carry and use the service weapon for its intended purpose.

Asset & Liability Management Commission

In accordance with Bank’s internal rules, the Commission determines directions and targets of liquidity and market risks management, as well as financial resources, determines liquidity, efficient asset and liability management strategy of the Bank and helps the Board of Directors in carrying out daily activities of the Bank in the field of asset and liability management.

Investment Commission

The purpose of the Commission is to continuously increase the bank’s assets by investing, placing them in various financial instruments and obtaining interest and trading (dealing) profits through effective management.

Operational Commission (OPCO) in an Agile Structure

The main goal of the Commission is to increase the effectiveness of the Bank’s Agile structure for operational efficiency, ensure rapid decision-making in accordance with the Bank’s strategy, and provide the necessary support to the Bank’s Board of Directors in this regard.

Data Privacy Commission

The main goal of the Commission is to ensure efficiency in organizing and conducting work to ensure the confidentiality of information in the Bank.

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**Ethics and Compliance
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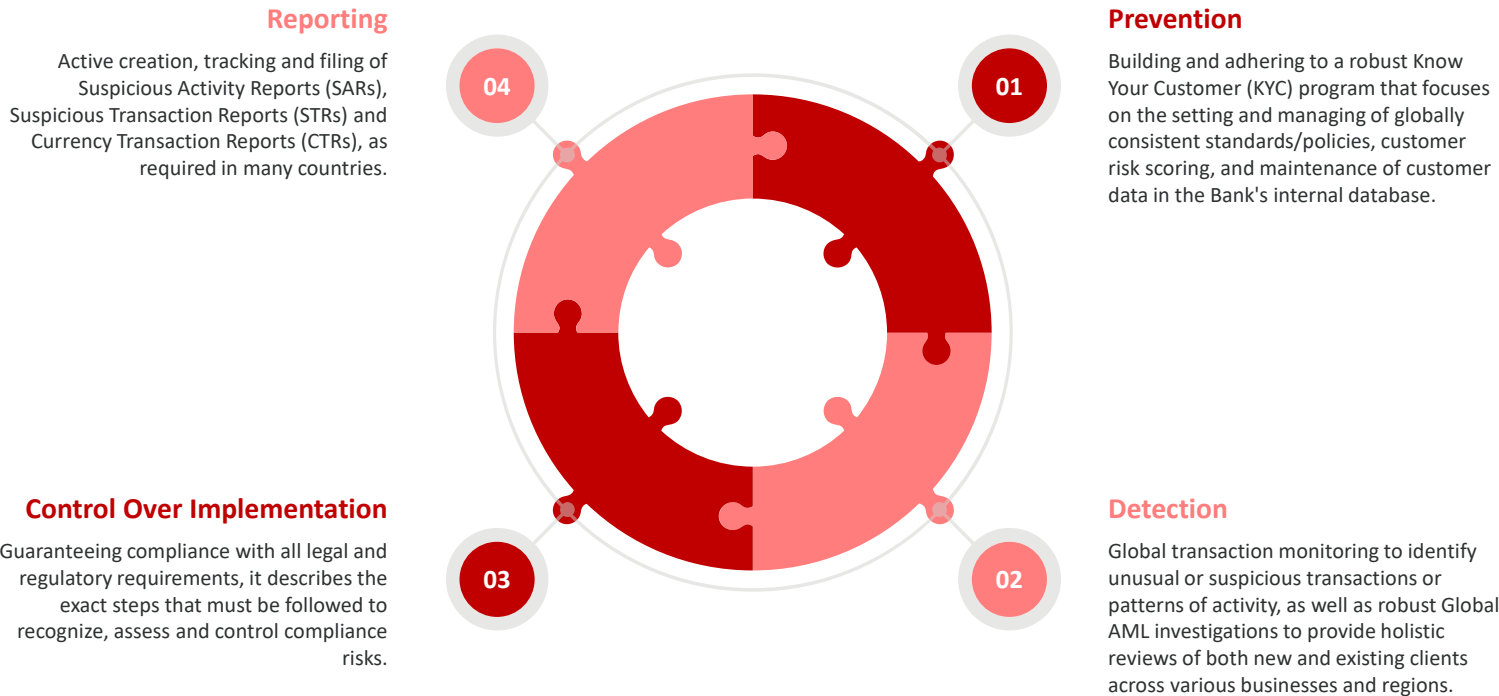
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Kapital Bank upholds its role as a responsible financial institution by offering services that promote sustainable economic development. Our operations are governed by a deep commitment to integrity, aligning strictly with both local and global regulatory frameworks. In fact, our ethical and compliance culture is central to how we earn and maintain the confidence of

customers, regulators, and partners. As part of this commitment, the Bank does not engage in anti-competitive behavior and consistently upholds fair market practices in line with its compliance program. To ensure our standards are upheld, we have developed a comprehensive and autonomous Compliance Function supported by expert personnel and advanced technological

infrastructure. Governed by its four key phases, this unit plays a crucial role in shielding the Bank from regulatory penalties, reputational harm, and financial vulnerabilities, while also reinforcing our dedication to principled conduct and operational integrity (Figure 27).

Figure 27. Four Key Phases of the Compliance Control Process



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Beyond these core areas, the Bank’s Compliance System includes a broad range of elements (Figure 28) aimed at preserving institutional integrity and fostering ethical business practices. In addition, the Compliance Function incorporates Environmental, Social, and Governance (ESG) factors into its structure, helping to ensure that sustainability-related risks and ethical obligations are effectively managed in alignment with the Bank’s overarching values.

Figure 28. Four Key Phases of the Compliance Control Process



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For timely detection and effective response to potential violations, we have established multiple secure and confidential reporting channels to address suspected compliance violations. These include an internal anonymous whistleblowing mechanism that enables employees, agents, clients, and suppliers to report concerns without fear of retaliation. Reports are received and logged by a designated Money Laundering Reporting Officer (MLRO), with objectivity and confidentiality throughout the process. Moreover, we uphold a strict non-retaliation policy, guaranteeing that no employee or informant is subjected to discrimination, intimidation, or disciplinary measures for reporting in good faith. The system supports both written and verbal submissions and is designed to protect the identity of the whistleblower unless disclosure is required by law.

Once a report is received, a formal investigative process is initiated. The MLRO or relevant authority delegates the matter to the designated internal investigation unit within the Fraud Division.

All reports are recorded in an internal registry and assigned for resolution within a 20-working-day timeframe, with extensions granted when necessary. Depending on the findings, cases may be escalated to the Bank’s Disciplinary Commission or, where criminal conduct is suspected, to law enforcement. All evidence, including emails, system logs, contracts, and witness statements, is reviewed in strict confidentiality. In parallel, the Bank maintains a structured accountability mechanism, with the responsible unit issuing semi-annual reports to the Executive Board and, where applicable, the Supervisory Board. These reports include an analysis of identified risks, actions taken during the reporting period, and planned measures for further strengthening compliance safeguards across the Bank.

To further strengthen oversight, the Bank has established a Compliance Commission, a collegial body formed under the authority of the Executive Board. The Commission serves as a strategic forum for discussing and resolving

key compliance matters, particularly those involving high-risk clients, politically exposed persons (PEPs), and compliance risks related to products or services. Its responsibilities include reviewing new internal compliance procedures, maintaining alignment with evolving legislation and international standards, evaluating client documentation processes, and assessing business continuity within the framework of a risk-based approach. The Commission also plays a critical role in shaping policy updates, approving regulatory documents for implementation by the Compliance Department, and overseeing matters related to AML/CFT and sanctions compliance.

Built upon four key principles, our compliance system is deeply embedded into our organizational structure and spans a wide array of risk areas, including Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), conflicts of interest, whistleblowing, anti-bribery and corruption, and data privacy (Figure 29).

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Figure 29. Key Principles



Our Global Compliance Program proactively manages and monitors compliance risks through a structured, Bank-wide control environment. This program is overseen by the Chief Compliance Officer (CCO), a member of the Bank's Executive Board, who coordinates compliance oversight across departments, ensures timely regulatory reporting, and drives the development of risk mitigation strategies and training activities. The Bank has also designated an MLRO specifically responsible for managing the Bank's AML/CFT obligations, facilitating communication with the Financial Monitoring Service, and supervising compliance with domestic and international sanctions regimes. Compliance processes, including customer due diligence, transaction

monitoring, and ongoing risk assessments, are powered by sophisticated tools such as real-time screening systems and automated checks against international watchlists such as Fico Tonbeller and Refinitiv. Kapital Bank maintains a strong commitment to responsible business conduct, grounded in universally recognized principles of ethics, inclusion, and human rights. The Bank's policies are guided by authoritative intergovernmental instruments, including the Universal Declaration of Human Rights, the European Convention on Human Rights, and conventions and declarations of the International Labor Organization (ILO). These commitments explicitly support the implementation of due diligence practices and

the application of the precautionary principle in managing social and ethical risks. A central pillar of the Bank's conduct is its respect for human rights, which is reflected in its internal Code of Ethics and policies prohibiting discrimination, harassment, and workplace violence. The Bank's human rights commitment covers a wide range of internationally recognized rights, with particular attention given to the protection of vulnerable and at-risk groups, including women, minorities, and individuals exposed to unequal opportunities in the workplace. These policy commitments are embedded in internal codes and employee guidelines and are consistently communicated to employees and relevant stakeholders through internal training, onboarding processes, and governance communications. The policies have been formally approved at the senior management level, demonstrating leadership accountability and organizational commitment. They apply across all operational levels of the Bank and extend to business partners and third parties interacting with the Bank. Through structured communication channels and mandatory compliance training, the Bank supports a clear understanding of these commitments by employees, suppliers, and business partners, thus reinforcing a culture of integrity and ethical behavior.

We address negative impacts that the Bank causes or contributes to by applying clear remediation

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processes, including disciplinary actions or contract termination in line with labor legislation. We identify and address grievances through an internal whistleblowing mechanism and we strengthen our practices by regularly updating internal policies and promoting ethical behavior across all levels of the Bank. Employees, as the primary users of the grievance system, provide feedback that helps shape, review, and improve its design and operation. We track the effectiveness of grievance and remediation processes by monitoring case outcomes and gathering direct stakeholder feedback, using these insights to drive ongoing improvements.

Anti-Bribery and Corruption Measures

Our zero-tolerance policy towards all kinds

of bribery and corruption is firmly rooted in both national and international frameworks, including the United Nations Convention Against Corruption, the Law of the Republic of Azerbaijan on Combating Corruption, relevant regulatory acts issued by Azerbaijan’s financial supervisory authorities, and the Partnering Against Corruption Initiative (PACI) of the World Economic Forum. The Bank’s Anti-Bribery and Corruption Policy applies comprehensively across its entire operations, proactively preventing, and, where necessary, detecting and addressing incidents of bribery, corruption, and related misconduct. It is binding on all employees, including senior executives, members of the Management Board, internal auditors, and trainees, as well as third parties engaged in business with the Bank. This

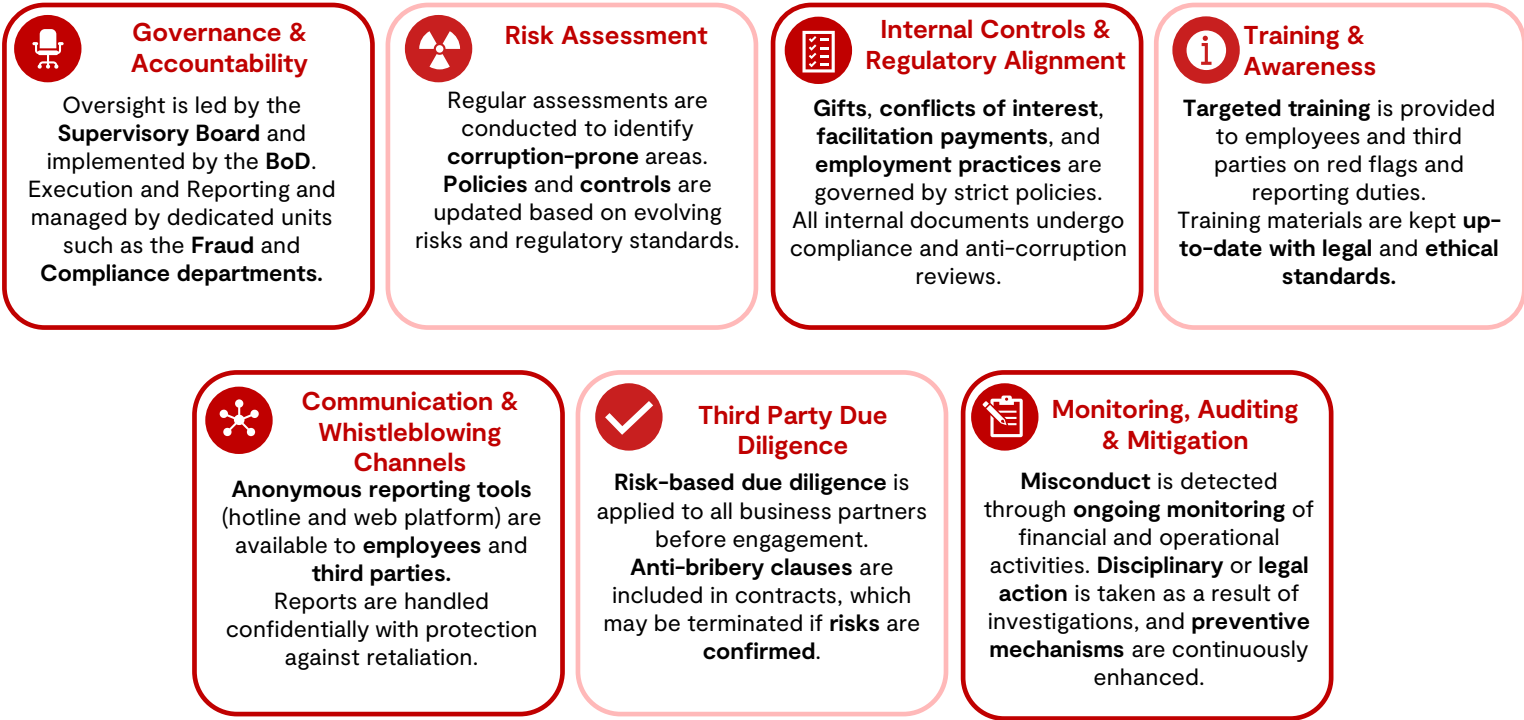
includes suppliers, contractors, consultants, service providers, and other counterparties regardless of their legal status. The policy sets clear expectations that neither the Bank’s personnel nor its business partners shall offer, give, solicit, or receive any undue advantage, whether directly or indirectly for the purpose of influencing business decisions or gaining improper benefits. Our Anti-Bribery and Corruption framework is anchored in a set of clearly defined principles that guide both preventive and responsive actions across all levels of the Bank (Figure 30). These principles are designed to ensure that anti-corruption efforts are consistent, transparent, and enforceable.



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Figure 30. Core Principles of Anti-Bribery and Corruption Governing the Compliance System



Preventing Money Laundering

We are firmly committed to protecting the integrity of the financial system by preventing the misuse of our services for money laundering and the financing of terrorism. Our comprehensive AML/CFT Policy is structured in accordance with the Law of the Republic of Azerbaijan on the Prevention of Legalization of Criminally Obtained Property and Financing of Terrorism, as well as related national legislation, regulatory guidelines, and international standards. These

include the Financial Action Task Force (FATF) Recommendations, Basel Core Principles, and globally recognized best practices. All activities within the Bank are guided by a risk-based approach that shapes customer due diligence, transaction oversight, and compliance responsibilities across business functions. Among the primary objectives of our AML/CTF program is to minimize the risk of the Bank being targeted for illicit financial activities. The program is designed to protect the Bank's operational

soundness, legal credibility, and reputation, while reinforcing trust among clients, regulators, and counterparties. It outlines clear responsibilities for staff at all levels, promotes ongoing awareness and training, and establishes internal control mechanisms that address both preventive and responsive measures (Figure 31). Through structured oversight, risk evaluation, and clearly defined reporting channels, the Bank actively confronts the evolving landscape of financial crime.

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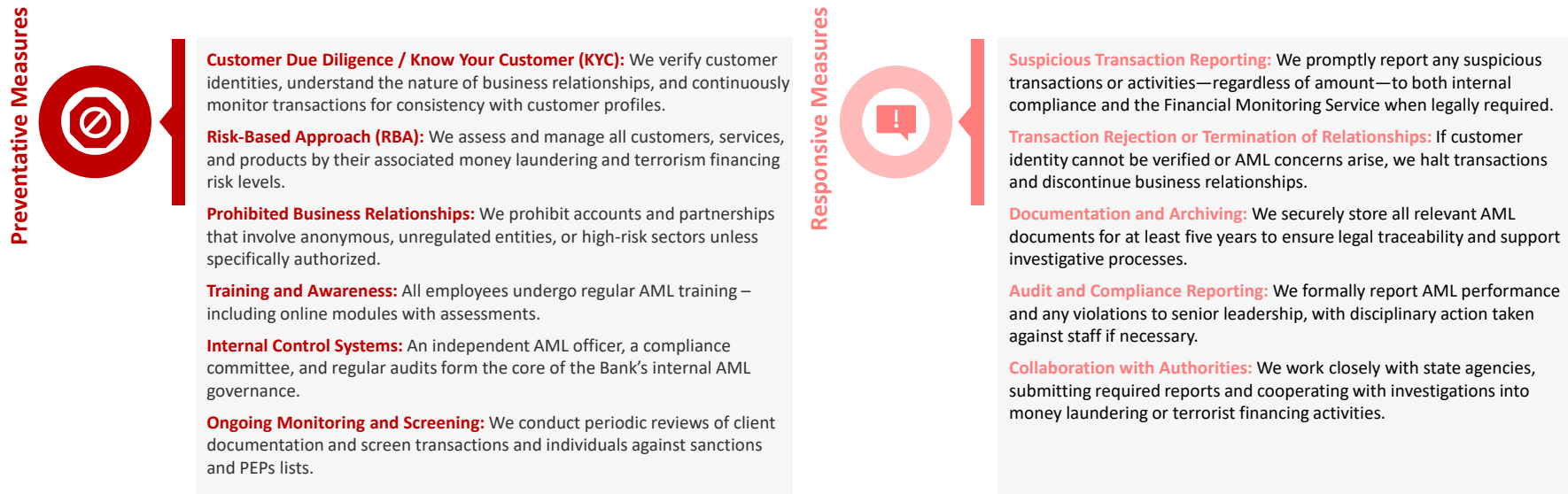
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We strengthen our AML framework through clearly defined responsibilities and a multilayered risk management structure. Accountability is distributed across all organizational levels, with a designated MLRO, who is independent in their duties and authorities and has veto power over decisions related to the processes within their scope of activity. The MLRO reports to the Executive Board and is accountable to both the Executive Board and the Supervisory Board. We also conduct annual institutional risk assessments, evaluating sector-specific and geographic exposure to money laundering and terrorist financing risks. Risk-based customer monitoring is implemented at tiered intervals: high-risk clients are reviewed annually, medium-risk clients biennially, and low-risk clients every three years.

Figure 31. Preventative and Responsive Measures against AML and CFT



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Managing Conflict of Interests

Addressing conflicts of interest is a key element of upholding ethical integrity and responsible governance within Kapital Bank. We place strong emphasis on recognizing and managing situations where personal interests might interfere with professional duties, placing trust and fairness into the heart of our operations. This commitment spans the entire organization, encompassing not only employees and senior management but also members of the Supervisory Board and Audit Committee. It further extends to individuals closely connected to staff, such as family members and personal

associates, acknowledging indirect relationships can pose similar risks to objectivity. Applying this broad lens enables early detection and effective management of even subtle risks to impartiality. To ensure proportionate and effective response, Kapital Bank classifies potential conflicts based on their level of impact. In lower-risk cases, simply declaring the interest may be sufficient. When determining how a conflict of interest should be resolved or managed, several key factors are assessed: the nature of the conflict, the complexity of the situation, and the overall significance of the conflict. In more complex or sensitive scenarios, the Bank may require an employee to withdraw from a particular decision or task. Where a conflict poses a significant challenge to impartiality, more decisive steps, such as reassignment or separation, may be taken to preserve ethical boundaries. Proactive prevention, supported by the diverse tools for managing conflict of interests, forms the foundation of this system (Figure 32). Staff are expected to disclose any external financial activities or relationships that might present a conflict, and specific limitations are placed on the use of confidential information for personal gain. Access to sensitive data is tightly controlled, and duties that could give rise to conflicts are deliberately separated. Regular internal training reinforces awareness of these expectations and empowers employees to manage ethical dilemmas responsibly.

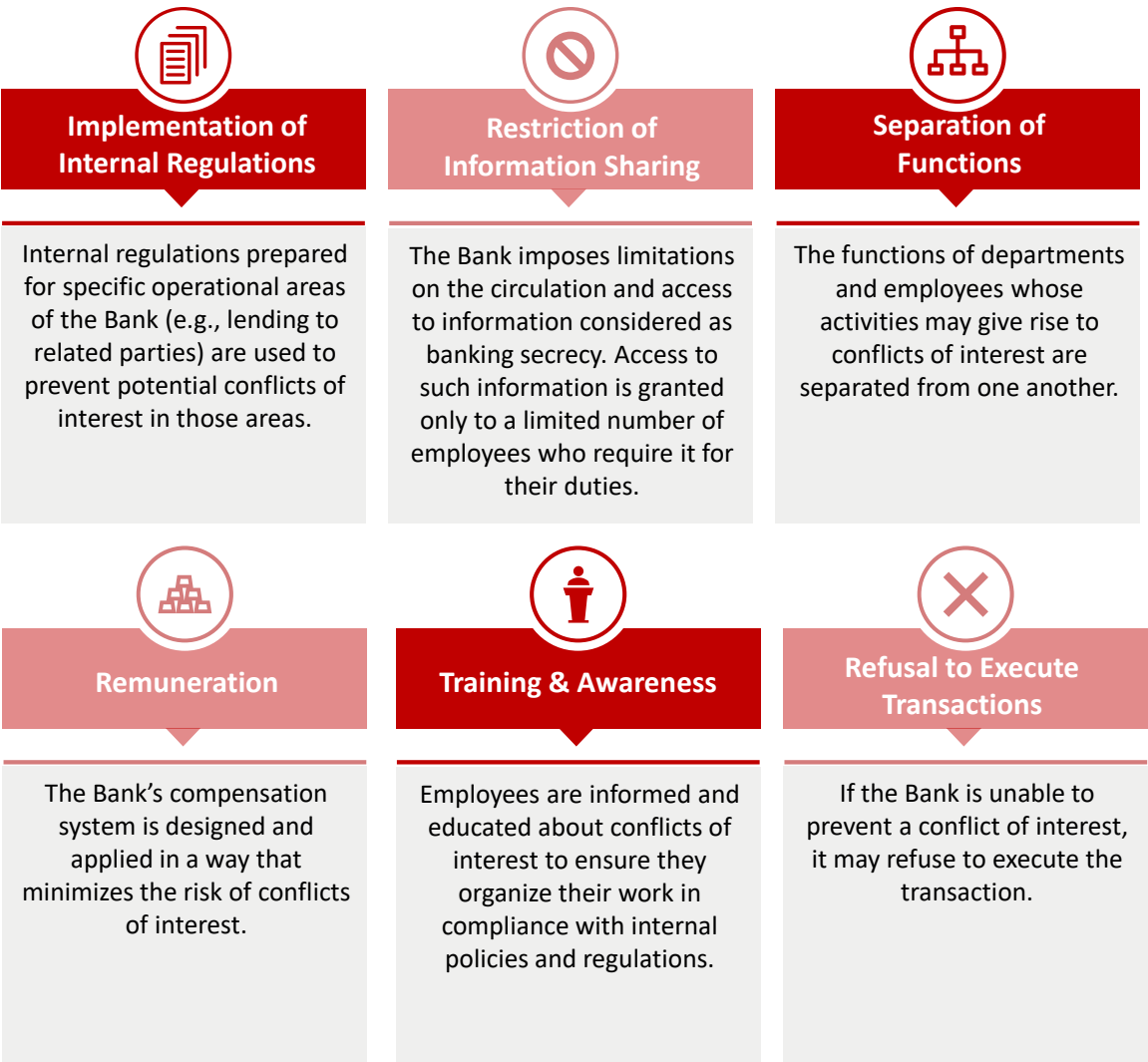
Oversight is maintained through a dedicated compliance and fraud prevention function, which tracks reported cases, supports investigations, and evaluates the risk each case presents. This unit reports annually to senior leadership, reinforcing oversight and transparency at the governance level. Members of the Executive Board and Supervisory Board are also required to proactively declare material commercial interests, adding an additional layer of accountability.



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Figure 32. Tools for Managing Conflict of Interests



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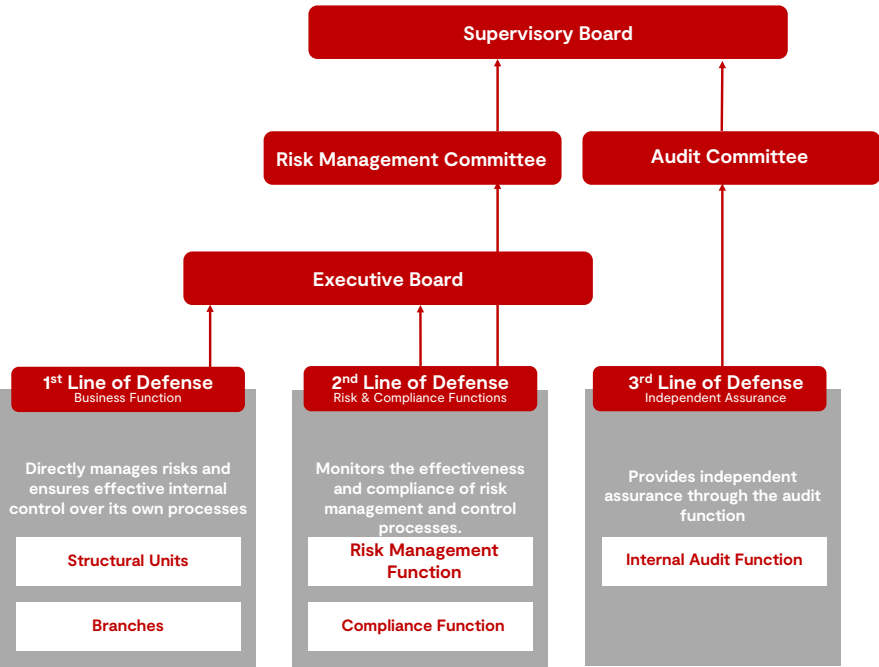
Enterprise Risk Management Framework

At Kapital Bank, we approach Enterprise Risk Management (ERM) as a foundational framework that guides how we navigate uncertainty, leverage strategic opportunities, and maintain long-term sustainability. Our objective is not only to safeguard value but to actively contribute to its creation by embedding risk management principles into the Bank’s strategic planning and operational decision-making processes. In line with our approved ERM Policy, we adopt a holistic, forward-looking, and methodical risk perspective. Risk appetite and tolerance levels

are defined and applied in parallel with strategic goal setting, so that risk considerations are not treated as separate constraints but as critical inputs into how we shape our business objectives. We integrate risk assessments into every stage of the value chain – from formulating corporate strategy and defining business goals, to evaluating performance and driving innovation and agile transformation. This integrated approach allows us to respond thoughtfully to both internal and external dynamics, align resource allocation with risk exposure, and build resilience into the Bank’s

core activities. This strategic integration of risk into our decision-making processes is supported by a well-established governance structure designed to maintain consistent execution across the organization. To manage risks effectively across Kapital Bank, we rely on a clear and structured governance model that defines responsibilities and establishes accountability at every level. Our ERM framework is built on the internationally recognized Three Lines of Defense model, which enables a transparent and collaborative approach to organizational risk management (Figure 33).

Figure 33. Three Lines of Defense Model for ERM



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Oversight of the ERM system is further strengthened by clearly defined governance bodies including the Supervisory Board, Risk Management Committee, Audit Committee and the Executive Board. The Supervisory Board approves risk policies, strategies, frameworks, the Risk Appetite Statement (RAS), and key thresholds. It also evaluates the effectiveness of the ERM framework and regularly engages in oversight of risk-related decisions. The Risk Management Committee, in turn, acts as an intermediary between executive management and the Board. The Chief Risk Officer (CRO) collaborates with the Committee in reviewing mitigation plans, capital adequacy proposals, and risk trend analyses. The CRO further plays a vital and active leadership role in the Executive Board, that integrates risk management into strategic and operational execution.

The CRO takes responsibility for coordinating ERM activities across the Bank, designing risk management strategies and internal policies, monitoring enterprise-wide risk exposures, and overseeing the capital planning process. They lead the development of the Bank's risk appetite framework, supervise the compilation of the risk register, and coordinate the assessment of both financial and non-financial risk categories – such as credit, market, information technology and security, operational, compliance, reputational, liquidity risk, etc. Beyond designing frameworks, the CRO provides structures and transparent reporting to the Executive Board and the Risk Management Committee on a monthly basis and

to the Supervisory Board at least quarterly. These reports outline the Bank's current risk profile, any limit breaches, mitigation outcomes, and forward-looking views on systemic and emerging risks. The CRO's responsibility also includes maintaining open channels with regulators, ensuring that the Bank's practices meet prudential requirements, and initiating veto decisions where a proposed action exposes the Bank to undue risk.

Complementing this top-level oversight, the Bank employs a suite of practical tools and methodologies to identify, assess, and address risks across all operational areas. To detect and respond to risks in a timely and effective manner, we rely on multiple tools and structured methodologies. Key methodologies include Risk Control Self-Assessments (RCSAs), Key Risk Indicators (KRIs), and scenario analysis. These tools are used to assess risks based on likelihood, potential impact, and materiality across all categories, including both financial and non-financial types.

The Bank maintains a centralized risk register, which is periodically reviewed and updated. This allows for early detection of potential exposures and supports integration into stress testing, capital planning, and business continuity strategies.

By treating risk as an enabler, not just a barrier, the Bank fosters a culture where opportunities are evaluated alongside potential threats. In doing so, the Bank sustains a well-informed, agile, and resilient risk management approach that remains aligned with its mission and stakeholder expectations in a dynamic financial environment.

Risk culture promotes a values-based approach within the bank, helps employees understand the principles of risk management, and focuses on risks in their activity areas. By conducting a comprehensive assessment of the Bank's risk culture, the Bank takes steps to create a risk-aware and resilient environment, encourage making the most effective decisions in risk management, and improve overall organizational performance.

To accelerate the process of enhancing the risk culture and improving communication across defense lines, a Risk Coordinator is appointed for each structural unit. The Risk Coordinator is responsible for coordinating and overseeing risk management activities within their structural unit. Their role is to ensure the effective implementation of risk management policies, procedures, and strategies within their structural units, in line with the organization's objectives and goals.

Our Approach to Risk Management

Kapital Bank's risk management framework is designed in alignment with the legal acts of the Republic of Azerbaijan, the prudential norms and rules established by the Central Bank of the Republic of Azerbaijan, relevant documents of the Basel Committee, and other international standards and principles, the Bank's Charter, and internal policies, particularly the ERM framework. The strategy outlines a structured approach for identifying, assessing, and mitigating potential risks that may impact the Bank's strategic objectives and operations.

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The Bank conducts risk identification at two distinct levels: enterprise and operational. At the enterprise level, it begins by creating an extensive list of all potential risks that could impact the organization. These risks are then filtered through a materiality assessment process to determine which ones are significant and warrant further attention. To assess risks at this level, the Bank uses a three-pronged approach. The Quantitative Approach evaluates the significance of each risk based on its potential impact and likelihood of occurrence. The Regulatory Approach considers risks to be material if they are recognized in prudential regulations or if laws require specific risk management systems. Meanwhile, the Expert Judgment Approach relies on the insights of specialists, especially when evaluating non-financial risks that are difficult to measure numerically.

At the operational level, the Bank applies a multifaceted methodology to ensure comprehensive risk identification and assessment across day-to-day activities. This includes both qualitative and quantitative analyses. Key tools in this process include the Risk and Control Self-Assessment (RCSA), incident management systems, and oversight functions from the second and third lines of defense. Additionally, the Bank analyzes risks inherent in its internal business processes and evaluates risks during the development or revision of products and services. Further insights are drawn from audit results, key risk and performance indicators, scenario

analyses, and stress testing. The Bank also incorporates findings from customer complaints and disciplinary actions, creating a feedback loop that enhances the accuracy and responsiveness of its risk management framework.

The Bank identifies all types of risks that may arise from implementing its strategy, including material risks that could significantly affect its goals, operations, or financial position (Table 5). Special attention is given to risks stemming from new products and services, macroeconomic changes, and incidents. The risk identification process also includes evaluating emerging risks in alignment with the Bank’s evolving strategic plan. All identified risks within the Bank are recorded in the Risk and Control Matrix.

Furthermore, as the Bank executes its strategic plan, it continuously evaluates whether new risk categories have emerged. When such risks are identified, they are assessed for their potential impact on the Bank’s overall risk profile. This may lead to updates in both the RAS and internal risk policies to incorporate potential negative effects, ensuring that the Bank remains resilient in a changing risk landscape. We utilize the Risk Health Index (RHI) for assessing the risks. It allows us to assess the existing risks and their influence area in order to formulate a proactive response. Fundamentally, it consists of qualitative and quantitative metrics. The assessment of such tools’ output is essential to maintain full coverage of the metrics.

Each identified risk is assessed using both

qualitative and quantitative methods. The Bank evaluates the potential impact and likelihood of risks, taking into consideration its risk appetite, strategic priorities, and prudential norms. A key component is the Risk Appetite Statement (RAS), which defines risk tolerance zones with clear quantitative and qualitative thresholds. It must comprehensively cover all material risk types, ensuring that both existing and emerging risks are effectively addressed. The Bank defines tolerance zones for each risk metric, both quantitative (e.g., capital adequacy ratios, liquidity buffers) and qualitative (e.g., reputational or compliance risks). These zones establish clear boundaries for acceptable risk-taking, and when indicators deviate from set thresholds, predefined internal procedures are triggered to initiate corrective actions. Developed in collaboration with senior management and reviewed by the Risk Management Committee, the RAS is reviewed at least annually, or more frequently if warranted by internal or external developments. To achieve comprehensive risk coverage relevant material risks recognized by the Bank are incorporated into the RAS. Moreover, the stress-testing results are directly integrated to RAS to ensure risk appetite aligns with stress-testing insights and reflects the Bank’s actual risk exposure. This statement guides decision-making across all business units and supports alignment between risk-taking activities and the Bank’s capacity to absorb potential losses.

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Table 5. Risk Exposure, by type

Risk, by type	Strategic Implications
Credit Risk	Credit risk arises from the failure of a borrower to fulfill their obligations to the bank in a timely or complete manner.
Market Risk	Market risk arises from changes in the market, such as fluctuations in interest rates, exchange rates, securities, and commodity prices.
Liquidity Risk	The risk of loss to the Bank due to the inability to sell assets at the desired/expected price in the market due to insufficient demand.
Concentration Risk	The risk arising from a high degree of concentration in the Bank's assets, liabilities, or operations within a specific borrower, sector, geographical region, or other similar factors.
Capital Adequacy Risk	The risk that the Bank may not have enough capital to maintain its financial stability over the long term.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, employees, systems, or external events.
Information Security Risk	The risk arising from deficiencies in information security processes, including the implementation of technological and other measures, flaws in the software of computerized systems and programs, and the mismatch of these processes with the Bank's operations, which may result in the occurrence of information security threats.
Information Systems Risk	The risk of malfunction or disruption of the information systems used by the Bank, and/or their functional capabilities and features not meeting the Bank's requirements.
Cyber Risk	The risk of the Bank facing material or immaterial losses due to external attacks, vulnerabilities, or breaches in relation to its information technology systems and data.
Compliance Risk	The risk of facing enforcement actions, sanctions, financial losses, or reputational damage resulting from the Bank's failure to comply with the laws and regulations governing financial markets.
Reputational Risk	The risk arising from the creation of a negative perception about the Bank by customers, counterparties, shareholders, investors, debt-holders, other relevant parties, or regulators.
Model Risk	The risk arising from decisions based on incorrectly developed or applied models, or from the misused model outputs and reports. It also includes the uncertainty arising from the model itself or its failure to align with the reality it is trying to measure.
Strategic Risk	The risk of loss resulting from the failure of strategic initiatives, including acquisitions, mergers, new products, markets, etc.
Country Risk	The risk that the economic, social, and political conditions and events in foreign countries will affect the current or projected financial condition and resilience of the bank.
Data Risk	The potential negative impact on decision-making processes, legal and regulatory obligations, reputation, and financial position due to the failure to ensure the accuracy, completeness, confidentiality, and timely availability of the data used in the Bank's operations.

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The Bank defines tolerance zones for each risk metric—both quantitative (e.g., capital adequacy ratios, liquidity buffers) and qualitative (e.g., reputational or compliance risks). These zones establish clear boundaries for acceptable risk-taking, and when indicators deviate from set thresholds, predefined internal procedures are triggered to initiate corrective actions.

The Risk Appetite indicators are not static, they are monitored on a recurring basis in accordance with internal regulatory documents. This structured monitoring allows the Bank to detect and respond to risk threshold breaches in a timely manner, supporting ongoing strategic alignment.

Additionally, during the annual budget planning process, the Bank integrates these risk appetite metrics and limits to develop financial plans within the institution’s defined risk tolerance.

Stress testing is a critical component of our risk management framework, performed semi-annually across various scenarios, including market, liquidity, and credit risks. The main goal of these assessments is to pinpoint and manage potential risks, evaluate the effectiveness of mitigation strategies, gauge capital resilience and financial stability, and oversee liquidity conditions under stress. Additionally, we utilize historical back-testing and forecasting methods to improve the precision and dependability of our analyses.

Our methodology emphasizes scenarios with low likelihood but substantial impact to rigorously evaluate the banks’ financial robustness and to

support effective contingency planning.

Incident Management System

Another essential component of operational risk identification is the Incident Management System, designed to facilitate the gathering, analysis, and reporting of incidents to enable identification and continuous monitoring of risks. Risk coordinators, often branch heads, department heads, or product owners, are assigned with recognizing risks specific to their processes, applying necessary controls, and disseminating pertinent information. If a coordinator is unavailable, a temporary substitute from the same department assumes responsibility.

The incident management procedure initiates with incident detection, conducted by employees who must report incident details through the designated system within 1 day after identification. The reporting form requires comprehensive information, including a description of the incident, its nature and cause, incident and discovery dates, significance of incident, responsible risk owner, incident title, initial and recoverable loss amounts, and details of the employee involved. The completed form is then submitted to the coordinator for validation. The coordinator reviews the submission, and if necessary, returns it for adjustments. Approved incidents are subsequently classified, evaluated against Basel Committee criteria, and further examined by

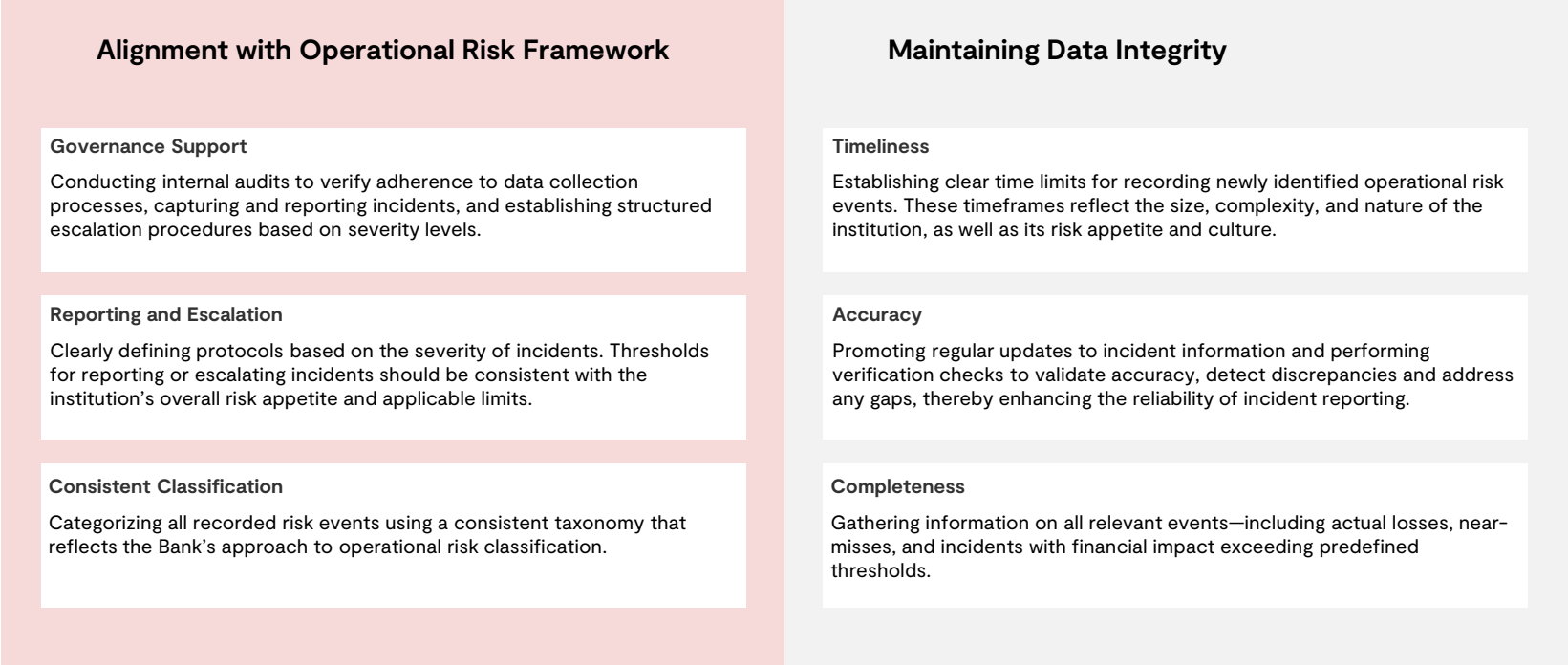
relevant personnel. Additional data collection follows to achieve a thorough risk assessment. Finally, risks are reviewed in collaboration with the risk owner to determine suitable corrective actions, consistently emphasizing updates to financial impacts and potential losses.

Built upon two core elements, the process for collecting, analyzing, and reporting incidents forms a key component of a strong risk management framework (Figure 34). It offers a structured approach for understanding the risks that the Bank encounters in its day-to-day operations. First and foremost, information about actual incidents provides tangible and measurable data regarding the likelihood and consequences of operational risks, thus, helping reduce subjectivity in risk assessment and reporting. Second, access to historical data enables the Bank to learn from past events, gaining a deeper understanding of the root causes and contributing factors behind losses. Additionally, it contributes to the identification and application of risk and control indicators. In many cases, incidents result from failures in control measures. By investigating the causes of these failures, the Bank can develop and evaluate the effectiveness of existing controls – particularly, those related to detection and mitigation.

Risk Management

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Figure 34. Core Elements of Incident Management



Risk Treatment

After a comprehensive assessment of risks and identification of various risks that may impact the Bank, it is essential to adopt risk governance strategies to ensure the safety and sustainability of

the organizational environment. When governing its risks, the Bank shall consider the approved risk limits, risk tolerance, and risk appetite. The identified and assessed risks within the Bank shall be collected and monitored in the Bank's Risk and

Control Matrix (RCM). The Bank proactively manages risk in four strategies before exposure occurs, particularly when introducing new products, services, or projects (Figure 35).

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Figure 35. Risk Treatment Strategies



Risk Acceptance

This is a response to a risk when the potential impact of the identified risk is within organizational risk limits. Risk acceptance involves consciously deciding to tolerate the risk's effects or likelihood without taking specific actions to actively mitigate or manage the risk.



Risk Mitigation

This involves taking actions to minimize the overall impact of identified risks, thus reducing their potential effects.



Risk Transfer

It is a risk response measure taken when the Bank wants to transfer the obligation and responsibility for the risk to other organizations through contracts, insurance or outsourcing agreements.



Risk Avoidance

It is a measure of risk response when the established risk exceeds organizational risk limits. A risk avoidance decision is typically made when the risk poses a serious threat to the organization, and the costs associated with mitigating the risk outweigh the potential benefits of the risk management measures.

Risk Monitoring and Reporting

Risk monitoring at Kapital Bank is proactive and comprehensive principal accelerated by KRIs, the Incident Management System, Risk Appetite Statement, along with the first and second lines of defense activities, audit reviews and monitoring that enable constant observation and control of risk conditions. The emphasis is put on constant monitoring of possible risks that might cause uncertainties in the near future if left unnoticed. In the context of Kapital Bank's ERM Framework, KRIs play a central role in monitoring potential exposures that could affect the Bank's strategic and operational objectives. As forward-looking

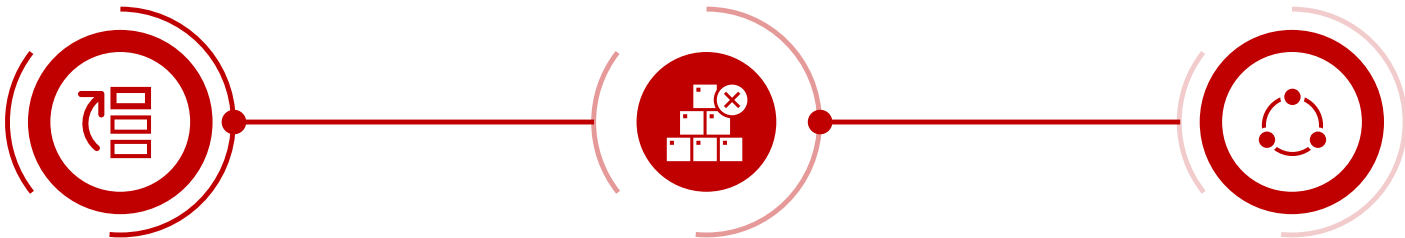
metrics, KRIs offer early warning signals by highlighting shifts in risk conditions, enabling timely intervention before issues escalate. The development of KRIs at Kapital Bank begins with a deep understanding of the institution's strategic goals and the critical risks that may hinder their achievement. By prioritizing risks based on their likelihood and potential impact, the Bank identifies areas where KRIs can deliver the most actionable insight. To this end, a dual approach is used in the selection of the KRIs – top-down and bottom-up. The top-down method leverages executive-level insight to identify cross-organizational risks, supporting consistent measurement across

departments and business lines. In parallel, a bottom-up process allows business units to identify operational risks specific to their functions, using inputs such as RCSAs, audit outcomes, and real-time feedback from frontline teams. Kapital Bank categorizes KRIs as leading, current, or lagging indicators to reflect different dimensions of risk behavior, including timing and purpose (Figure 36).

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Figure 36. Three Categories of KRIs



Leading Indicators

These serve as early warning signals that alert management to emerging risks. They are predictive in nature and enable timely intervention before the risk escalates.

Lagging Indicators

These help understand the cause of an event that has already occurred. Essentially, they support an organization’s ability to learn from past experiences and improve preparedness for the future.

Current Indicators

These reflect the present status of a risk or risk-related situation. They are crucial for real-time decision-making and continuous monitoring.

To guide decision-making, each KRI is assigned thresholds segmented into red, yellow, and green zones. These thresholds are defined based on historical data and expert input, allowing risk levels to be visualized clearly. A breach of the red zone, for instance, signals an urgent need for action, while the yellow zone prompts preemptive measures to prevent escalation. Monitoring frequency for KRIs is calibrated based on the nature of each risk. Risks with high volatility or regulatory sensitivity are tracked more frequently, whereas stable risks may require less intensive

oversight. This risk-sensitive approach enables Kapital Bank to maintain a balance between responsiveness and operational efficiency. Accurate and timely data collection is vital to the integrity of KRIs. Data sources range from internal systems to third-party providers, with structured processes in place for validation, update frequency, and ownership. Clear assignment of responsibility for data gathering and analysis promotes accountability and supports consistent performance tracking. The risk reporting process is built on several

foundational principles aimed at supporting informed decision-making across the organization. Reports are designed to present complex risk information in a clear and structured manner, enabling senior leadership to assess the Bank’s risk profile in alignment with its strategic and operational goals. Rather than merely summarizing data, these reports interpret trends, highlight areas of concern, and recommend targeted actions for risk mitigation in a timely manner (Table 6).

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Table 6. Risk Reports

Report, by type	Reporting Frequency
Risk Management Report	Monthly basis
Risk Appetite Report	Monthly and ad-hoc basis
KPIs Status Report	Monthly (CRO, Executive Board, Risk Committee); quarterly basis (Supervisory Board)
RCSA Results Report	Yearly basis
Stress-Test Report	Yearly basis
Incident Management Report	Ad-hoc basis
Risk Culture Report	Yearly basis
Internal Audit Report	Yearly basis

Accurate risk information, when presented at the right time and in the appropriate format, supports both tactical and strategic decisions. As such, reporting is not limited to post-event analysis; it serves as an anticipatory tool that enhances the Bank’s ability to anticipate and respond to potential threats.

The Bank also submits the required risk-related reports to regulators.

Clear communication and structured reporting of incidents are essential for promptly identifying, documenting, and responding to risk events within Kapital Bank. A reliable incident reporting mechanism supports risk awareness across the Bank by making it easier to recognize patterns, respond to urgent issues, and take informed action.

Communication channels are adapted to the

severity and urgency of each incident. For high-impact events, methods such as real-time messaging, direct phone calls, or in-person notifications are preferred, while less critical cases may be addressed through standard incident reports. To support effective escalation, the Bank maintains detailed contact lists for each level of response, regularly updating them with names, roles, and contact details of responsible personnel. Communication protocols are clearly defined, specifying when and how each method should be used and what information must be included – such as the incident’s description, location, time, and immediate steps taken. Multiple reporting options are kept available to reduce the risk of communication breakdowns, and standardized templates help streamline the reporting process, especially during time-

sensitive situations.

Internal Audit and Control Mechanisms

The Internal Audit Department operates under the direct supervision of the Bank’s Audit Committee, maintaining full independence from the Executive Board, except in cases specifically outlined by legislation. This structure strengthens the objectivity and impartiality of internal audit activities, with the IAD reporting directly to the Audit Committee. Moreover, appointments and dismissals of the IAD Director and other members are carried out by the Supervisory Board, based on the recommendations put forward by the Audit Committee. This process supports the department’s independent status and reinforces accountability in its leadership structure.

The IAD conducts its work in line with an annual audit plan, which is developed using a risk-based methodology and approved by the Audit Committee. The plan outlines the department’s priorities, including budgetary and resource requirements. Throughout the year, the IAD provides regular updates to the Audit Committee on the implementation of this plan, along with detailed reports on the findings and outcomes of completed audits.

Through this structured approach and predetermined responsibilities, the Internal Audit Department plays a critical role in monitoring internal controls, supporting transparency, and contributing to the overall sound governance of the Bank (Figure 37).

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Figure 37. Roles and Responsibilities of the Internal Audit Department



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Coming to reporting, the IAD maintains regular and structured communication with the Audit Committee through comprehensive reporting practices. It submits an annual overview of its activities and provides monthly updates on significant risks and deficiencies, including their resolution status by the Executive Board. Complaints related to breaches of the Bank’s Code of Ethics, submitted via the “Internal Hotline” system, are reviewed and reported quarterly. The format, timing, and audience of all reports are defined by the Audit Committee. These reports provide an objective, evidence-based, clearly written, and focused results with quantifiable findings where applicable. The IAD also monitors how the Executive Board addresses audit recommendations and reports progress to both the Audit Committee and the Supervisory Board at least twice a year. All internal audit reports are treated as confidential and may only be shared within or outside the Bank with explicit authorization from the Head of the IAD and the Audit Committee.

Responsible Procurement and Supply Chain Practices

In 2024, we continued to advance our approach to responsible procurement and supply chain management by further institutionalizing oversight mechanisms, enhancing supplier classification protocols, and embedding information security requirements comprehensively throughout all procurement activities.

This vision was formalized through the adoption of our updated “Procurement Policy” which was refreshed in late 2023, redefining our procurement objectives to emphasize efficiency, transparency, and alignment with international standards. The policy outlines the structure, governance mechanisms, and accountability responsibilities across the procurement lifecycle and establishes guiding principles such as total cost of ownership, ethical sourcing, and supplier relationship management. Complementing this policy, our “Procurement and Supply Procedure” operationalizes procurement steps, supplier engagement protocols, and tender methodologies, across centralized functions. These documents jointly set the institutional foundation for disciplined, value-driven procurement that supports the Bank’s strategic and operational goals.

Guided by these policy updates, we translated our strategy into practice by implementing several operational enhancements during the year. Significant milestones this year included the optimization of processes across the entire procurement chain and a comprehensive review of related policies and procedures, resulting in targeted updates to maintain alignment with current business needs and regulatory expectations. Building on the foundations laid in previous years, including the implementation of our new Enterprise Resource Planning (ERP) system, the adoption of electronic signature functionality, and a structured supplier due diligence process, we identified the need to replace our existing ERP

system. A detailed market study was conducted to evaluate and select a more suitable platform that can support the evolving complexity of our procurement operations. These developments reflect our continuous efforts to refine our internal operations to promote greater transparency, risk control, and strategic alignment throughout our supply chain.

Our efforts were focused on increasing the resilience of our third-party relationships, particularly in areas where suppliers have access to confidential or proprietary data. In line with our internal Supplier Information Security Rules, we now impose mandatory information security obligations on all such suppliers, making sure that confidentiality, data integrity, and access controls are protected by contractual terms, including Non-Disclosure Agreements. Suppliers supporting payment data environments are also assessed for compliance with PCI DSS standards, and we regularly review their alignment with cybersecurity best practices.

We have enhanced our supplier classification system to reflect both the criticality of the services provided and the level of information sensitivity involved. This enables us to tailor our risk mitigation and compliance efforts based on supplier impact. Each active supplier is catalogued in our centrally managed “Supplier Information Asset Register”, which is reviewed annually and forms the basis for tracking security assessments and contract performance.

Furthermore, in line with the “Procurement and Supply Procedure”, all potential vendors

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undergo a prequalification process before being invited to participate in tenders. This includes financial, legal, environmental, and reputational due diligence as well as a conflict-of-interest assessment. All new suppliers are also screened for compliance with key social aspects, including the prohibition of forced or child labor, fair working conditions, and adherence to ethical business conduct. Our updated procedures formalize the role of the Evaluation Committee and Project Team, which work jointly to upkeep procedural integrity and compliance with internal governance protocols throughout the sourcing process. A vendor's eligibility is determined through a careful review of these dimensions, and any entity that does not meet out standards is excluded from our verified supplier list, thereby safeguarding the integrity of our procurement system. This methodical process reflects our firm commitment to upholding ethical standards across the entire supply chain and establishing dependable partnerships. To prevent unethical conduct, all procurement agreements include anti-bribery clauses, which are actively monitored to ensure compliance. In line with our internal policies, the compliance and fraud teams review all potential partners before any engagement is approved, issuing a formal opinion on the appropriateness of the collaboration. Both teams jointly assess prospective suppliers, conducting conflict of interest checks and screening candidates against sanctions databases and media sources to verify beneficial ownership and legal integrity. Whilst our current due diligence

process does not yet include a formal screening for negative environmental and social impacts, we continue to assess ways to enhance our procedures to better reflect our sustainability commitments. Kapital Bank nurtures its relationships with suppliers as business partners, grounded with mutual respect, shared responsibility, and fair collaboration. Following this trajectory, we maintain continuous engagement and clear communications with our suppliers through regular reporting, evaluations, and feedback channels. Those falling within the scope of our information security are formally briefed at least twice a year on updated policies, compliance requirements, and performance expectations. In cases where subcontracting is proposed, we maintain strict controls to prohibit any unauthorized third-party access to Bank-owned data, thereby reinforcing our commitment to secure and responsible information management. As part of our ongoing commitment to fair and transparent procurement, all acquisitions exceeding the defined thresholds are conducted exclusively through the E-procure platform. This system makes sure that supplier selection, contract execution, and any procurement-related decisions are traceable and compliant with both internal policies and regulatory standards. We place particular emphasis on the inclusion of risk management, data protection, and business continuity provisions within all contracts, especially for services deemed critical to our operations.

Through our support of local suppliers, recognizing them as the key contributors to our local economy, we strive to strengthen the regional economy and lay a solid foundation for the future growth of our business. Building on this commitment, we continue to prioritize local economic development through our sourcing activities. As of 2024, 86% of our suppliers are locally based, whilst the remaining 14% are foreign (Figure 38).

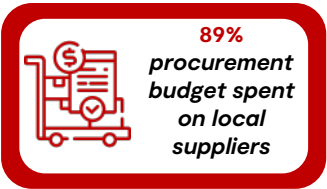
Figure 38. Total Number of Suppliers



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Over the years, our ratio of local to foreign suppliers has remained roughly equivalent, even with the number of our total suppliers increasing. This deliberate focus on local engagement allows us to contribute to national economic resilience while maintaining flexibility to access specialized international expertise when necessary. In comparison to previous years, the total number of suppliers we engage with has increased, reflecting



both the Bank’s expanding operational needs and our dedication to promoting an inclusive and diversified supply chain. Reflecting on our emphasis on strengthening the local community, 89% of our procurement budget was spent on local suppliers this year, promoting growth in the local economy and contributed to increased efficiency. Through these measures, we are reinforcing our procurement model to be one that goes beyond cost efficiency and operational delivery. Our focus remains on building long-term, reliable, and responsible supplier relationships that contribute

to the sustainability of our business and reflect our core values. By upholding the highest standards of integrity, information security, and due diligence, we continue to strengthen the groundwork of accountability upon which our operations and partnerships are built.



**Innovation
in Banking
Services**

9

**Innovation in
Banking Services**

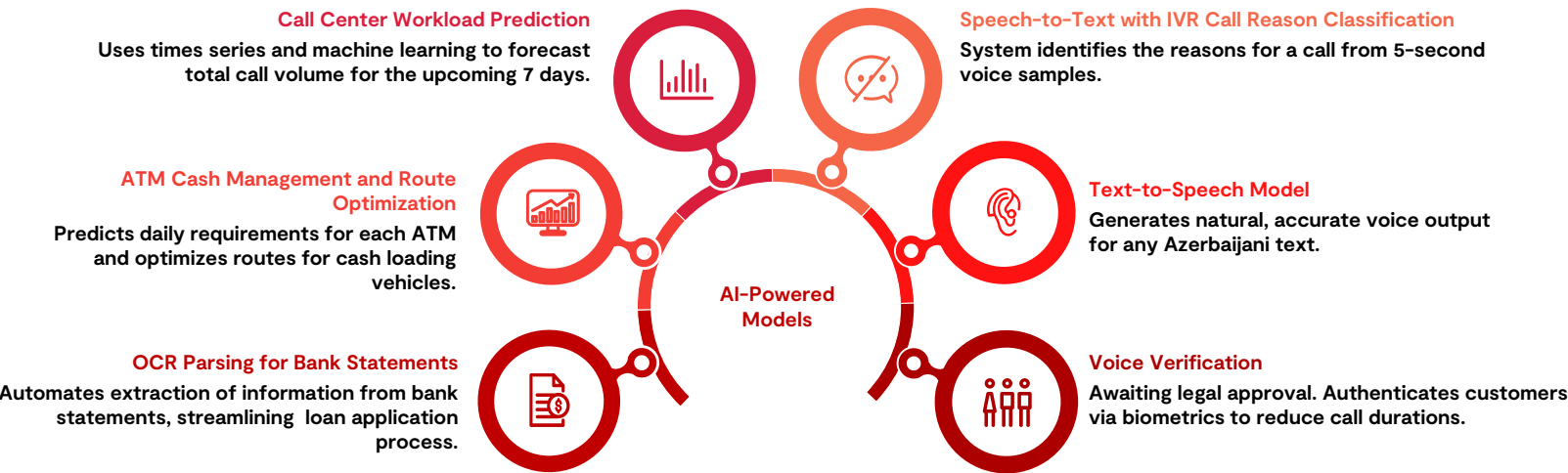
Innovation in Banking Services

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Digital Transformation Initiatives

Kapital Bank significantly advanced its digital transformation journey by embedding artificial intelligence (AI) across core operations and customer touchpoints (Figure 39). These initiatives reflect our ongoing commitment to innovation, efficiency, and personalized financial services, while aligning with our sustainability goals through resource-conscious operations and customer-centric delivery.

Figure 39. AI Powered Models



One of the year’s digital achievements was the deployment AI-powered speech-to-text technology combined with interactive voice response (IVR) classification. This system can identify the reason for a customer call within just five seconds of audio input, leading to a 22% increase in first-call resolutions and a 32% boost in pipeline usage, ultimately leading to a reduction in call queue times and enhancements in service quality. Complementing this, our internally developed text-to-speech model, trained on high quality Azerbaijani dialogue, now enables prompt voice message generation during system outages, improving communication agility.

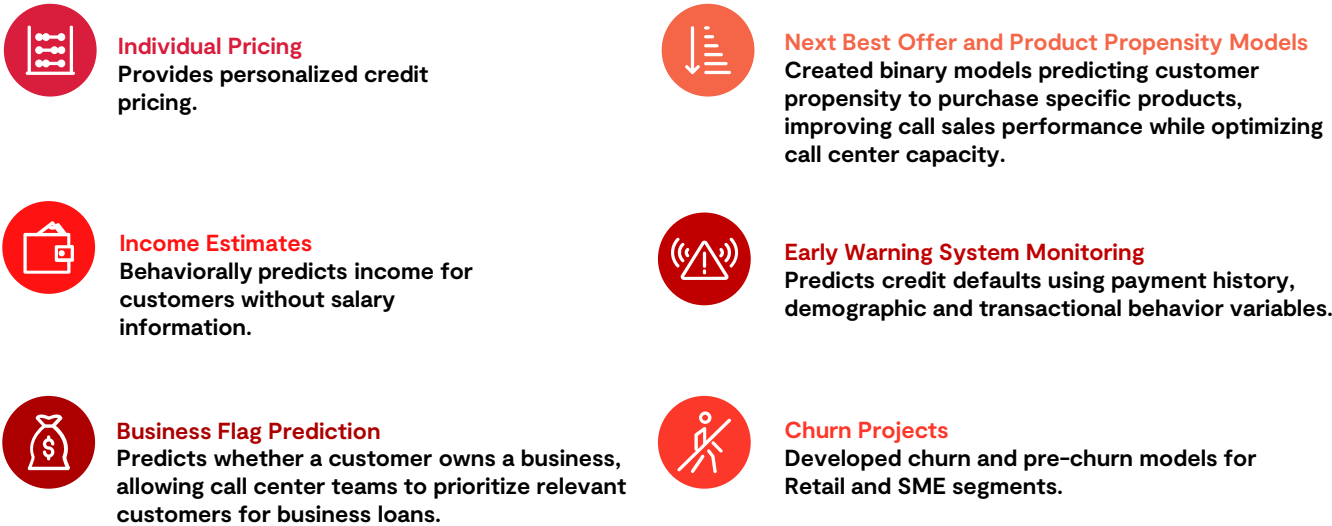
AI applications were also extended to operational process. Our ATM cash management model uses predictive analytics to calculate daily cash needs per ATM and optimizes the routes for cash loading vehicles. This eliminated a previously manual two-hour daily process, freeing up resources and increasing operational reliability. Similarly, our call center workload prediction system applies time-series forecasting to anticipate weekly call volumes, enabling dynamic workforce allocation and reducing wait times through proactive resource allocation.

In credit and risk analytics, we leveraged AI and machine learning to improve precision and performance. Our Early Warning System (EWS) now helps identify customers at risk of default, enabling timely mitigation strategies. Income estimation models support credit assessments for previously underserved customer segments, while individual pricing algorithms personalize credit offers based on behavioral indicators, generating 8 million AZN in additional value. Churn prediction models further contributed to customer retention by identifying potential departures up to 90 days in advance (Figure 40).

Innovation in Banking Services

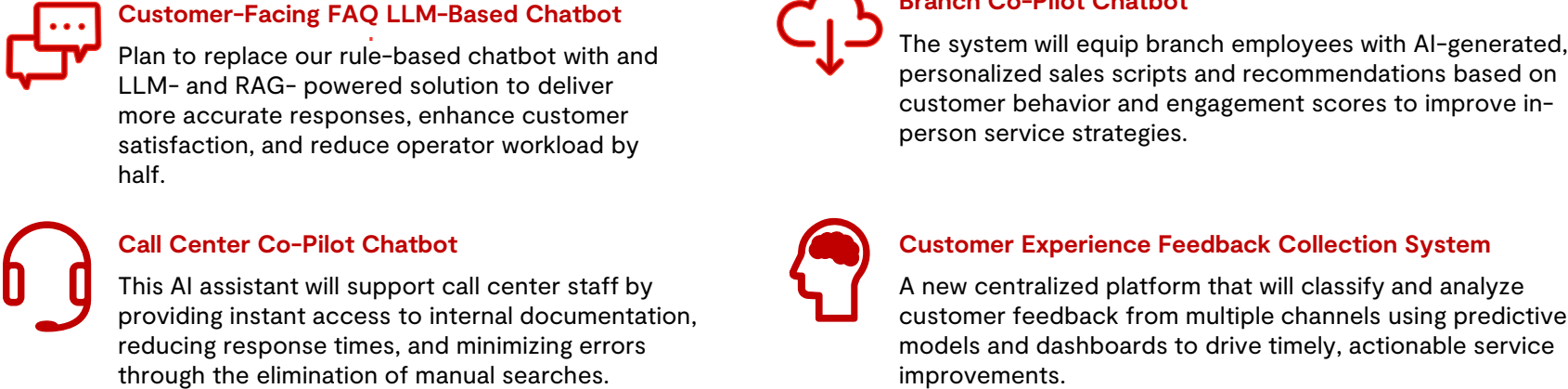
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Figure 40. Machine Learning Model



Through these innovations, we have not only streamlined internal processes and reduced manual workloads, but also laid the foundation for a more innovative and adaptive banking experience. In 2023, we launched the “Aila Chatbot and Virtual Assistant”, an Azerbaijani-language AI solution integrated into our chatbot and IVR systems, which helped reduce support costs and improve accessibility for a broader customer base. Following this, we plan to expand our AI capabilities and machine learning initiatives (Figure 41), assuring that our digitalization efforts continue to evolve in line with our customers’ needs and industry conditions.

Figure 41. Future AI and Machine Learning Initiatives



Innovation in Banking Services

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Agile Operations for Sustainable Growth

Since its initial implementation, our agile transformation has evolved into a core operational model that drives innovation, efficiency, and sustainable growth. Initially launched during the pandemic, we transitioned from traditional waterfall structures to a dynamic agile framework, becoming one of the first institutions in Azerbaijan to scale agile methodologies across both business and technical functions. This shift laid the groundwork for end-to-end product delivery, enhanced speed-to-market, and greater responsiveness to customer needs.

In the current strategic period, our agile model has matured significantly. What began as a transformation of internal processes has now become a driver of innovation across the Bank's ecosystem. Agile tribes, organized into business and technical units, lead the development and implementation of new products and services, with every initiative moving through a structured process that includes market validations, cross-departmental alignment, and independent execution where possible. From the ideation of the Birbank Star Card to the launch of SME digital service packages and AI-powered support tools, agile teams have consistently delivered high-impact solutions that enhance customer experience and operational performance.

Our agile operations also serve as a platform for resource efficiency and inclusive institutional growth. We became the first financial institution to integrated agile and non-agile structures into a

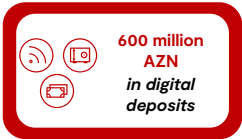
unified framework, enabling collaborative delivery models across departments such as treasury, risk, and HR. This integration has nurtured cross-functional synergy while reducing internal silos. Importantly, the agile structure introduced entirely new roles, including product owners and tribe leaders, supported by continuous onboarding and training programs. These investments have strengthened leadership capacity and created pathways for internal talent development, aligned with our broader sustainability goals. Detailed information about our talent development can be found in the Talent Acquisition and Development section of the report.

Our agile methodology is deeply aligned with its strategic objectives. Tribes operate with clear KPIs tied to the Bank's overall performance metrics, covering loans and deposits growth, customer satisfaction, digital transaction volumes, and cost-to-income efficiency. Quarterly reviews are conducted to confirm proactive resource allocation and transparency across units, whilst all initiatives are assessed for compliance, legal, and operational feasibility from inception. This structured, future focused model improves execution quality, enhances accountability, and ensures alignment with the Bank's long-term strategy.

Our agile operations have also supported a decisive shift toward digitalization. In 2024, more than half of all banking services were conducted

online, and nearly 85% of all transactions were executed in a fully paperless format. This has significantly contributed to reducing our environmental footprint while improving convenience and accessibility, particularly for underserved customer segments. Digitized products, such as online deposits, paperless loans, and fully digital onboarding processes reflect the demonstrable impact of agile-driven operations and innovation.

As we look ahead, agile operations will continue to serve as a backbone element of our operational agenda, enabling us to anticipate change, respond with agility, and deliver meaningful value to our customers and stakeholders. By embedding adaptability, collaboration, and efficiency into the core of our As we look ahead, agile operations will continue to serve as a backbone element of our operational agenda, enabling us to anticipate change, respond with agility, and deliver meaningful value to our customers and stakeholders. By embedding adaptability, collaboration, and efficiency into the core of our operations, we remain well-positioned to navigate future challenges, promote digital inclusion, and uphold its commitment to responsible banking practices in an increasingly dynamic financial landscape.



Data
Responsibility
in a Digital
Age

10

**Data Responsibility
in a Digital Age**

Data Responsibility in a Digital Age

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Safeguarding Customer Data

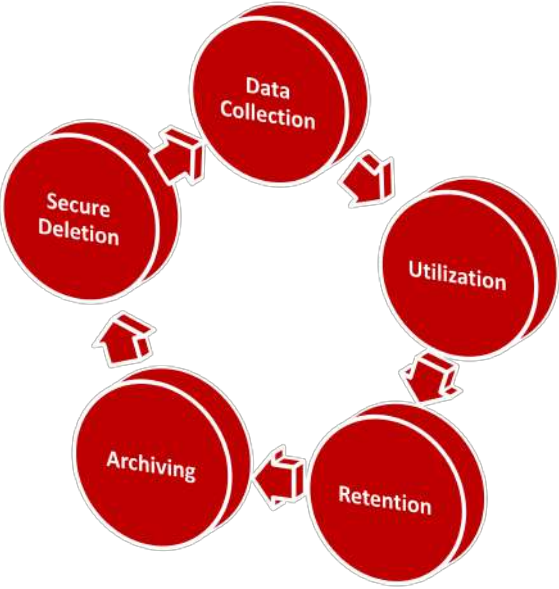
Effective data management is an essential component of resilient, future focused institutions, and for us at Kapital Bank, it serves as a cornerstone of our long-term vision. We approach data management not simply as an operational input, but as a powerful enabler of innovation, trust, and sustained value creation, particularly in how we safeguard and utilize customer data. Our practices are built upon a foundation of structured governance, stringent security standards, and a commitment to continuous improvement, maintaining that information is managed responsibly, transparently, and in alignment with both regulatory obligations and stakeholder expectations.

Recent organizational enhancements have significantly strengthened our data management ecosystem. The establishment of a dedicated AI and Data Science Expert Group reflected our transition from a largely centralized stewardship model, to a more hybrid, embedded approach. Data governance, stewardship, and quality assurance activities are now more deeply integrated into business operations, supported by enhanced frameworks, updated policies, and a unified business glossary. This shift has enabled greater agility, clearer ownership, and faster responsiveness in managing data assets across the Bank.

Maintaining the reliability, accuracy, and usability of data remains central to our approach. Through an expanded data quality framework, we continue to monitor key dimensions such as

uniqueness, completeness, and validity. Root cause analysis methodologies have been further strengthened, supported, by newly launched automation projects, ensuring that quality issues are addressed proactively rather than reactively. In line with these enhancements, we plan to implement a deep-dive data quality initiative, in collaboration with PASHA Holding, reinforcing our ambition to embed advanced governance standards across the institution.

Figure 42. Data Lifecycle



Our data lifecycle practices are governed by a fully institutional framework for collection, utilization, retention, archiving, and secure destruction (Figure 42), operationalized through

our “Data Management Procedure” and “Data Destruction Policy”. In addition, safeguarding data integrity and confidentiality remains a core priority, and our information security management continues to be aligned with international best practices. Sensitive data is safeguarded through encryption protocols applied both in transit and at rest, strict Role-Based Access Controls (RBAC) enforced at both individual and system levels, and the mandatory use of Multi-Factor Authentication (MFA) across internal and external systems. In addition, Data Loss Prevention (DLP) mechanisms are actively deployed to monitor, control, and prevent unauthorized data transfers. We further focused on expanding the resilience of our data security through increased real-time monitoring capabilities, greater coverage of behavior-based Security Information and Event Management (SIEM) systems, and active deployment of firewall protections. These systems monitor activities in real time, enabling early detection of anomalies and potential threats. Regular internal audits, penetration tests, and continuous incident response readiness further reinforces our abilities to remediate vulnerabilities before they can be exploited. Whilst no organization is immune to the risk of cyber incidents, Kapital Bank has demonstrated strong operational resilience and an unwavering commitment to customer data privacy. In 2024, no cases of customer data leakage were recorded, showcasing the effectiveness of our resilient

Data Responsibility in a Digital Age

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data management operations. Customer data protection is embedded across all layers of our information security management system, with incorporation of international standards. Core safeguards include data encryption in transit and at rest, MFA, RBACs, and real-time monitoring via behavior based SIEM systems. These measures are designed not only to defend against unauthorized access, but also to upkeep confidentiality, integrity, and availability of customer information. Overall accountability for data privacy and protection lies with the Bank's Chief Information Security Officer, who oversees implementation across departments and reports regularly to senior management. The effectiveness of our data privacy practices is evaluated through internal audits, key risk indicators, and incident response metrics, ensuring continuous improvement and accountability.

In the rare cases of data leakage incidents, the Bank's Cyber Defense Division, which operates 24/7, would be immediately engaged to contain and assess the situation. The scope of incidents would be rapidly identified, mitigation actions would be implemented to minimize any impact, and relevant stakeholders would be promptly informed to maintain full transparency. Following each event, thorough analyses would be conducted, and corrective actions would be implemented to prevent recurrence.



The protection of sensitive information has also been strengthened. Our "Personal Data Handling Policy" provides a clear framework for the lawful, ethical, and secure handling of personal data. Access is strictly limited to those with legitimate business needs, and all activities are monitored and logged to maintain full accountability. This policy emphasizes minimum necessary access, active monitoring, anonymization practices, and stringent access controls, building on prior initiatives to promote a culture of transparency, compliance, and accountability.

In parallel, our innovation agenda has also accelerated efficiently. While AI-powered tools such as speech-to-text, and customer sentiment analytics were in early stages last year, in 2024 we operationalized a broader portfolio of AI-driven models. This is elaborated further in the Innovation in Banking Services section of the report. All AI developments are governed through multi-tiered validation processes, with current efforts aimed at establishing a centralized feature store to enhance efficiency, minimize duplication, and reinforce data consistency across models. To support more agile and scalable data analytics, we have begun transitioning from a traditional Oracle-based data Warehouse to a modern data Lakehouse architecture. While real-time dashboards and automated reporting laid the groundwork last year, the Bank's new infrastructure enables more sophisticated, real-time data processing capabilities, positioning the Bank for faster, more data-driven decision-

making across strategic and operational levels. Taken together, these advances represent a material strengthening of our data management ecosystem. Building on last year's achievements and learning from operational insights, we now operate with greater precision, deeper integration, and a more future-oriented vision, upholding that data management, including the protection of our customer data privacy, remains a central pillar of sustainable growth, operational resilience, and innovation.

Strengthening Cybersecurity Measures

We continued to strengthen our cybersecurity and information risk management practices, making sure that the protection of information assets remains central to its operations, customer trust, and regulatory compliance. Our cybersecurity framework is governed by an integrated IRM framework that encompasses governance, risk management processes, and risk assessment tools, fully aligned with our business strategy and objectives. This framework, designed in accordance with leading international standards, sets the foundation for identifying, assessing, mitigating, and monitoring information technology and cybersecurity risks across the Bank's operations. In 2024, additional updates were introduced to the IRM risk register and risk classification model, including enhanced mapping of risk events and preventive actions for ecosystem-related threats, in line with CBAR guidelines.

The Bank's cybersecurity organization is

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into three specialized departments: Governance, Risk and Compliance (GRC); Research and Development (R&D); and Cyber Defense (Figure 43).

Figure 43. Cybersecurity Specialized Departments



Governance, Risk, and Compliance

This team is responsible for developing cybersecurity policies, managing risk assessments, and ensuring compliance with regulatory and international standards. It also reports risk metrics and oversight updates to senior management and the Board.



Research and Development

The R&D team conducts internal vulnerability testing, manages the secure coding framework, and develops technical use cases to address emerging threats. It plays a key role in integrating security into development.



Cyber Defense

This team operates the Bank's 24/7 Security Operations Center (SOC), monitoring systems in real time, responding to incidents, and managing advanced tools for threat detection and containment.

Each team operates under the oversight of the Cybersecurity Director, ensuring clear accountability, enhanced coordination, and proactive risk mitigation. Throughout 2024, we introduced several governance enhancements, including the integration of the RAS metric to facilitate the direct reporting to senior management and the Risk Management Committee, further embedding cybersecurity considerations into corporate decision-making processes. Our approach to information risk management emphasizes the alignment of cybersecurity activities with our strategic business goals, establishment of a clear risk appetite, and the application of a three lines of defense model (Figure 44), supported by formalized risk identification and control self-assessment methodologies.

Figure 44. Three Lines of Defense in Cybersecurity



First Line of Defense

Business Units and System Owners – Responsible for managing risks as part of daily operations.

Second Line of Defense

Risk Management and Compliance Functions – Developing policies and frameworks, as well as monitoring adherence

Third Line of Defense

Internal Audit – Providing independent assurance on the effectiveness of the controls.

The SOC, established to provide 24/7 monitoring, expanded its scope and technical capacity in 2024. The playbook library was significantly enriched, now exceeding 100 scenario-based workflows for handling threats such as phishing, malware infections, DDoS vectors, and unauthorized access attempts. New operational use cases were developed to enhance the detection and response capabilities for data leakage, compromised credentials, and risks originating from third-party systems. In parallel, AI-based threat intelligence tools were integrated into the SOC environment, enabling behavior-based anomaly detection and real-time correlation of threat indicators. These advancements have allowed the Cyber Defense team to respond more rapidly and consistently to emerging risks across the Bank's expanding digital ecosystem. What were previously ad hoc assessments for external partner systems have now been formalized

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into a routine process of penetration testing and third-party security evaluations. This more structured approach has strengthened visibility into interconnected risks and enabled earlier remediation of potential vulnerabilities.

2024 marked a shift from planned enhancements to operationalized, AI-driven cybersecurity tools. Kapital Bank’s investment in AI-augmented threat intelligence and anomaly detection matured into practical use cases, with behavior-based analysis integrated into our intrusion prevention systems and DLP tools. We introduced refined tagging mechanisms and improved classification of sensitive data to close identified operational gaps, particularly in customer facing applications and employee access platforms. Our “Secure Coding Policy” enforced stricter Development, Security, Operations (DevSecOps) practices, input validation rules, password complexity requirement, and user enumeration protections as outline in the “Secure Code Development Guideline”. The IT Security team continued to serve as a vital bridge between infrastructure and policy implementation, providing ongoing updates and working closely with the Information Security GRC team to sustain alignment with regulatory obligations.

As a result of enhanced systems and increased awareness, incident response became more streamlined and proactive. The number of incidents reported by employees increased, indicating higher levels of cybersecurity awareness and demonstrating the effectiveness of our ongoing

training and phishing simulations. We placed greater emphasis on root cause analysis and correlation of events to systemic vulnerabilities, enabling a more proactive approach to incident prevention. RCSA, as well as the Risk and Control Matrix (RCM), were leveraged to track performance and response timelines, with results monitored and reported to internal governance bodies. Antivirus and endpoint protection tools were further centralized and configured under the “Malware Protection Procedures”, with USB access controls and automated SIEM-based anomaly alerts expanded across all critical endpoints.

Building on this, employee awareness remained a top priority, with expanded cybersecurity training programs offered through the iSpring Learn platform. While last year focused on foundational content and basic phishing simulations, 2024 introduced more dynamic and scenario-specific modules, updated quarterly to adapt to evolving threat trends. Phishing simulation performance continued to be monitored, with a formal notification mechanism being introduced for employees who fell below expectations, supported by mandatory remedial training. These refinements demonstrate our continued focus on human capital as a first line of defense.

In addition to the training platform, the Security Champion program launched in 2023 was scaled up across departments, with updated evaluation criteria, stricter accountability measures, and stronger integration into business continuity

planning. Security champions now led targeted awareness sessions within their teams and provide peer-level first response for non-critical incidents. Their performance, monitored through KPIs, has shown year-on-year improvement, with fewer escalations required by the central cybersecurity team.

The governance of cybersecurity was further embedded into the Bank’s risk architecture. Annual reviews of strategy effectiveness and incident trends are conducted and shared with the Executive Board and Risk Management Committee. This included enhanced reporting on regulatory compliance, access control enforcement, and change validation procedures. Reviews also covered conformity with the latest CBAR updates, as well as technically implementations under the updated “Information Security Policy”. These measures ensured that the security function continued to support both operation stability and reputational integrity, while evolving in line with emerging threats, stakeholder expectations, and the Bank’s digital transformation agenda.

2024 marked a year of consolidation and advancement in cybersecurity at Kapital Bank, by making targeted improvements in governance, technology, employee engagement, and risk management, the Bank continues to strengthen its resilience and secure its position as a trusted institution in an increasingly complex digital environment.



Investing
in Human
Capital

11

**Investing in
Human Capital**

Investing in Human Capital

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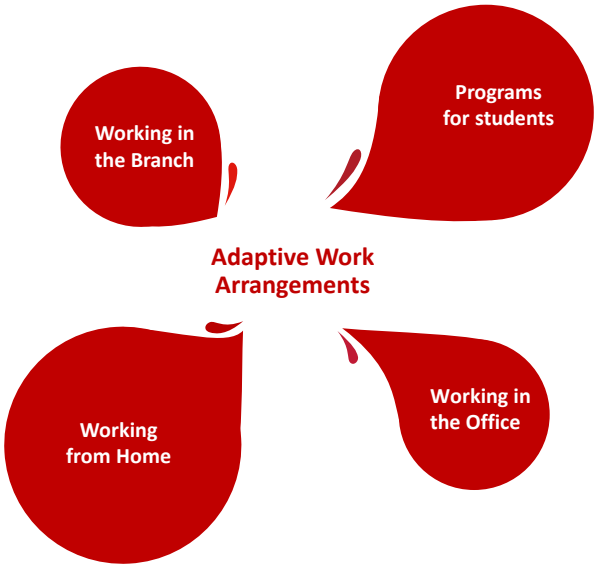
Talent Acquisition and Development

At Kapital Bank, talent acquisition and development are not simply HR functions, they are central pillars of our long-term strategy and organizational resilience. As we continue to evolve in a dynamic financial landscape, our ability to attract, grow, and retain top talent remains fundamental to delivering value, driving innovation, and achieving sustainable growth. In 2024, our approach to talent acquisition and development was marked by significant progress in creating a high-performance, future-oriented workforce. Guided by our comprehensive recruitment procedures, we made sure that our hiring decisions, across all levels, were timely, merit-based, and aligned with our long-term business objectives. In addition to expanding our headhunting capabilities for senior and critical roles, we deepened our university partnerships to attract young talent through structured internship and graduate programs.

Our recruitment process is structured, transparent, and aligned with both internal strategic planning and national labor regulations. Recruitment is guided by a dedicated procedure that covers workforce planning, candidate sourcing, and multi-stage evaluation. New vacancies are addressed both internally and through external channels, including structured headhunting, talent pools,

and job postings across digital platforms. For specialist and leadership positions, the Bank prioritizes internal succession planning before initiating external searches. Throughout the process, fairness, role alignment, and timely hiring are certified through collaboration between talent management and business units, with each stage being standardized and centrally monitored.

Figure 45. Adaptive Work Arrangements



We also offer flexible working arrangements that are tailored to the diverse needs and lifestyles of our employees (Figure 45). Depending on their roles and responsibilities, employees may work in our branch network, corporate offices, or remotely from home, maintain operational efficiency while supporting work-life balance. In addition, we provide internship opportunities

for students, allowing them to gain hands-on experience and explore career paths withing a dynamic and inclusive banking environment. This flexible model reflects our commitment to a modern, people-centered work practices. This flexible model reflects our focus on modern, people-centered work practices. In parallel with these practices, we have also established a comprehensive and transparent approach to remuneration, designed to recognize performance whilst reinforcing long-term value creation. Our system is governed by our “Remuneration Policy” approved by the Supervisory Board. Our approach to remuneration is anchored in transparency, equity, and strategic alignment. Kapital Bank’s remuneration system is structured around eight key principles (Figure 46), warranting that it is aligned with regulation and international best practices. These principles reinforce our culture of accountability, and performance-based remuneration. Rewards are distributed through a balanced combination of fixed salaries and performance linked variable incentives, monthly, quarterly, or annual, based on measurable performance indicators that reflect both individual and collective achievements. Incentive levels are tied to qualitative and quantitative outcomes, including credit portfolio quality, customer satisfaction, and strategic contribution. Importantly, our system limits excessive risk taking by aligning bonuses with the Bank’s capital adequacy and liquidity metrics. Our annual bonuses are determined



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Figure 46. Principles of Remuneration Policy



determined through a formal process that considers the employee's performance, tenure, and disciplinary record, and are subject to approval by the Supervisory Board. Certain bonuses are deferred to keep alignment with long-term results and to discourage short-term profit seeking behaviors. Bonuses for executives are also tied to capital adequacy, liquidity, and strategic performance metrics. Termination payments, sign-on bonuses, and

retirement benefits are evaluated individually and managed under defined procedures. The Bank does not use third parties for compensation-related decisions. Remuneration and design and revisions are overseen by the Remuneration Committee, which operates independently from executive management. Stakeholder feedback, including shareholder input, is considered during annual review cycles, and all final decisions are subject to Supervisory Board approval. Through

this process, we make sure our remuneration practices remain competitive, responsible, and aligned with long-term performance. The Talent Management department continued to assess the competitiveness of the Bank's remuneration framework in light of market trends and internal financial performance. Findings are submitted to the Financial Incentive Commission to support informed decision-making on wage levels and incentive structures. The Commission

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also conducted its own independent evaluations to validate the alignment of compensation packages with market standards. Additionally, the Talent Management team actively communicated the core principles, calculation methods, and evaluation criteria of the remuneration policy to employees, upkeeping clarity and transparency across the organization.

A cornerstone of our talent development strategy is the “Special Talent Pool management procedure”, which focuses on identifying and cultivating internal talent across four categories: successors, high-potentials critical employees, and professional specialists. Candidates are selected annually through a structure evaluation process involving department heads and the Talent Management team, based on their performance data, leadership potential, and business needs. Once selected, these individuals follow tailored development plans that may include cross-functional projects, expanded responsibilities, caching, and formal learning opportunities. In 2024, we strengthened this process by integrating real-time dashboards and development planning tools, enabling clearer oversight and tracking of individual progress. This initiative has enhanced internal mobility and succession planning contributing to a stronger leadership pipeline and reducing the need for external recruitment for key roles. High retention and engagement amongst Talent Pool members further reflect the program’s



effectiveness in supporting the development of high performing employees in line with the Bank’s strategic priorities. To maintain continuous growth, we at Kapital Bank place great importance on employee learning and development (Figure 47).

Figure 47. Talent Management Initiatives



Since 2018, the development of our employees has been coordinated through our Human Capital Academy, a central learning hub that designs and delivers trainings across various fields. Through this structured framework, we deliver targeted learning aligned with the Bank’s strategic priorities. Catering to our employees, we have an online learning platform, enabling self-paced development for all employees, regardless of location or schedule. Each employee is equipped

with an individualized learning dashboard and has access to a wide range of curated content. In addition to our own platform, we also provide access to globally recognized paid online learning platforms, giving employees the opportunity to pursue certifications and structured learning outside of our internal portals. These platforms are fully covered by the Bank and are further

customized according to each employee’s developmental needs. Our learning initiatives extend beyond role specific employee development, placing a strong emphasis on digital literacy, agile practices, and an innovative mindset. Our learning management system was further enriched with mobile-enabled, self-paced modules, and expert-lead webinars that enabled employees to reskill and upskill in line with evolving industry demands. In 2024, 100%

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of employees received regular performance and career development reviews, as part of our structured annual evaluation cycle, reinforcing our commitment to continuous learning and professional growth.

As part of our broader employee development strategy, we encourage employees to take part in international conferences, exchange programs with foreign financial institutions, and global forums. These opportunities enrich institutional knowledge and promote learning from diverse international perspectives. In line with our pioneering approach, we became the first Azerbaijani bank to launch an innovative mini executive MBA program in collaboration with Boğaziçi University. Building on this success, we are currently developing additional MBA initiatives to support long-term professional growth for our employees.

We also actively support employees pursuing professional certifications and qualification-based advancements, particularly in technical and specialist fields. To promote career mobility and continuous learning, we also offer reskilling and upskilling programs for employees seeking to expand their expertise or transition into new roles. These are complemented by soft skills training in areas such as communication, leadership, and collaboration, acknowledging the importance of well-rounded professional capabilities.

Furthermore, for those pursuing independent learning beyond the Bank’s internal programs, we offer special education loan for our employees.

This loan has preferential terms and lower rates to support our employees’ academic goals. Prioritizing inclusivity and adopting a forward-thinking approach reflects our belief that development opportunities should be accessible to all, supporting both personal growth and institutional success.

In addition to formal development structures, we foster a workplace culture that emphasizes transparency, feedback, and continuous listening. Our internal Employee Voice platform and the NAVEX system offers secure, anonymous channels for reporting and feedback. These platforms have helped resolve a range of employee concerns promptly and effectively. To further support engagement, we conduct regular stay interviews and maintain an open, feedback-driven tone of voice throughout the Bank, making sure that both customer and employee perspectives are valued. These efforts and innovations in our talent management earned us international recognition in 2024. Kapital Bank received the “Best Employee Engagement Strategy” and “Best Green Human Resources Strategy” at the COP29 Human Capital Forum. These recognitions affirm our dedication to sustainability focused human capital practices and reflect our dedication of responsible leadership to future-proof our workforce.

By focusing on strategic recruitment, continuous learning, leadership development, and flexible working practices, we are cultivating a workforce that is both skilled and adaptable to the evolving needs of the banking sector. Our commitment to

employee growth not only enhances individual potentials, but also strengthens our organizational capacity to innovate, respond to change, and deliver long-term value. Through these efforts, we are reinforcing a culture of excellence and building the foundations for sustainable success across all levels of the Bank.

Employee Satisfaction and Workplace Wellbeing

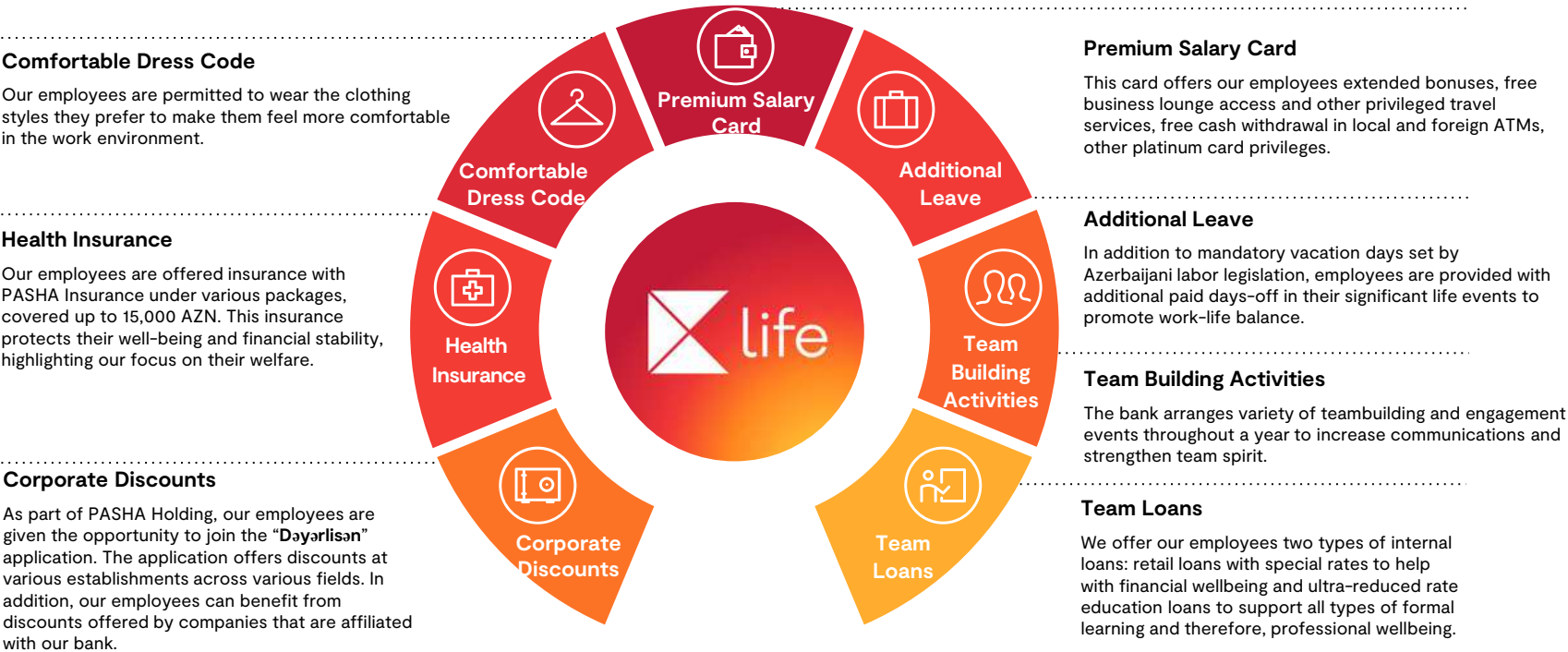
We recognize that employee satisfaction and workplace wellbeing are essential to sustaining a productive and engaged workforce. Our focus on upkeeping a supportive environment is reflected in our approach to fair and transparent rewards, health and safety, inclusive leadership, and employee focused initiatives. In 2024, we continued to strengthen these areas through meaningful programs, structured policies, and consistent leadership engagement.

To support a positive and engaging work environment, we provide our employees with a range of benefits and privileges (Figure 48). These initiatives are designed to enhance the overall employee experience, promote work-life balance, and cultivate a more engaged and motivated workforce. By creating an environment where employees feel valued both personally and professionally, we continue to strengthen our internal culture and support long term retention.

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Figure 48. Benefits and Privileges



Employee engagement is closely tracked through structured surveys, including survey for the Organization Health Index. These surveys assess employee wellbeing, motivation, and organizational health, providing KPI linked scoring across key dimensions. In response



to identified issues, particularly around wellbeing and motivation, specific policy adjustments are made, such as reducing eligibility thresholds for performance bonuses. These data driven interventions reflect our dedication to proactive and responsive people management. As part of our broader approach to employee wellbeing, we also support work-life balance

and inclusive workplace practices. In 2024, all employees who took parental leave returned to work, and the vast majority remained with the Bank afterward (Table 7), underscoring the effectiveness of our supportive work environment.

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Table 7. Post Parental Leave Data

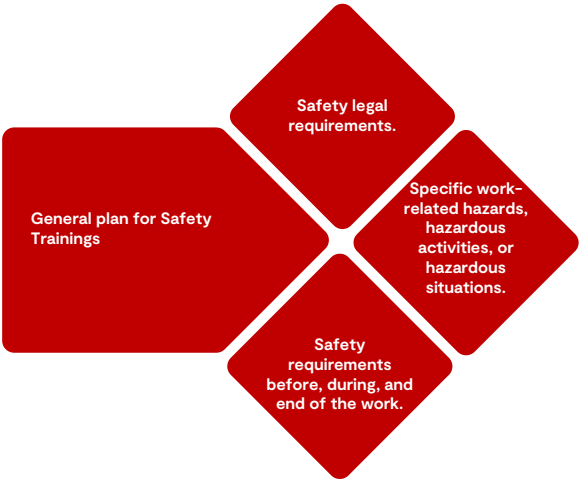
	Male	Female
Return to work rate of employees that took parental leave, by gender	100	100
Retention rate of employees that took parental leave, by gender	86.89	95.76

We also take a proactive and comprehensive approach to occupational health and safety. In accordance with our “Occupational Safety and Technical Security Instruction”, we place great importance on employee wellbeing. This principle guides our commitment to preventing workplace injuries, occupational illnesses, and professional hazards across the organization. The Bank has appointed a dedicated employee, whose work is organized directly to under the Chairman of the Board of Directors and holds the authority to oversee safety compliance, conduct regular site inspections, and issue mandatory corrective actions. This role is critical in guaranteeing independent oversight of safety protocols and enforcing the highest standards of protection. In addition, we maintain up-to-date safety infrastructure across all branches, including fire evacuation plans, air quality controls, and first-aid preparedness, including escalation to senior management were necessary. Every employee, from our branches to headquarters, receives mandatory onboarding health and safety trainings, as well as annual refreshers tailored to their role and



work environment. Our general plan for our safety trainings is to design them to establish comprehensive awareness and compliance with occupational safety standards. The plan covers all applicable legal safety requirements and provides detailed guidance on identifying and managing specific work-related hazards, hazardous activities, and potentially dangerous situations (Figure 49).

Figure 49. Safety Trainings Plan



In addition, it establishes clear safety protocols that must be adhered to before commencing work, throughout the duration of the task, and upon its completion, thereby fostering a safe and responsible working environment for all employees. These trainings cover topics such as emergency preparedness, safe equipment use, workplace hygiene, and fire safety protocols safety trainings, as well as annual refreshers tailored to their role and work environment. These trainings cover topics such as emergency preparedness, safe equipment use, workplace hygiene, and fire safety protocols. In addition to managing occupational health and safety within our own operations, Kapital Bank requires all suppliers, contractors, and business partners to comply with our health and safety standards. We assess and monitor these partners to ensure they maintain safe working conditions and align with our safety expectations. This includes incorporating OHS criteria in supplier selection and conducting periodic reviews to identify and mitigate potential risks linked to our business relationships.

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Our leadership has played a pivotal role in fostering a people-first culture grounded in inclusivity and employee empowerment. This approach supports our broader commitment to employee wellbeing, which is an area in which we continue to make significant strides by cultivating a work environment that values performance, recognizes contributions, prioritizes safety, and invests in long-term development. As a reflection of this commitment, our Chairman and CEO, Fair Huseynov, was named “Best People-Focused CEO” at the World HR Summit in 2024. This recognition reinforces our position as an employer of choice in Azerbaijan’s financial sector and affirms the strength of our holistic approach to employee satisfaction.

Upholding Human Rights and Fair Labor Practices

We are committed to upholding the highest standards of ethical employment, grounded in respect for human rights and with full compliance of Azerbaijani labor laws and regulations. We are devoted to creating a workplace that prioritizes fairness, transparency, and equal opportunity for all. Our efforts were aimed at strengthening ethical awareness, promoting a culture of mutual respect, and reinforcing responsible conduct in all work environments.

Fair treatment and equal opportunity are embedded into our recruitment, promotions, and compensation practices to support this culture of fairness and accountability, we have established clear mechanisms for addressing concerns and protecting employee rights. Regular internal

reviews and employee onboarding procedures are conducted to ensure that all labor practices are voluntary and free from coercion. All employees have access to safe and confidential reporting channels, with protections in place against retaliation. Reports are carefully reviewed in a timely manner, with appropriate actions taken to address any issues. In parallel, annual audits help verify our alignment with human rights principles and labor standards across the Bank’s branches and operational units. In addition, we proactively review and enhance our policies to remain aligned with evolving international labor standards and best practices.

We likewise maintain extensive policies to avoid conflicts of interest, prevent unethical conduct, and safeguard the Bank’s reputation. Employees are trained to recognize and report situations that may compromise their impartiality, including inappropriate gift acceptance, personal business dealings, or misuse of Bank resources. These policies are reinforced by a strong culture of transparency and personal accountability.

In line with global best practices, we regularly review our employment and safety policies to reflect changes in legislation, international standards, and internal risk assessments. By embedding fairness, integrity, and safety into every facet of our human capital, we continue to build a workplace where all employees are empowered to thrive and contribute to a sustainable future.

Our Role in Society

We believe that building a better bank starts with building a stronger, more inclusive community. This belief underpins our long-standing commitment to social responsibility, supporting initiatives in education, entrepreneurship, financial literacy, environmental protection, and sustainable community development. A central pillar of these efforts is the Red Hearts Foundation, an employee-driven platform that promotes volunteerism and amplifies our social impact beyond traditional corporate social responsibility efforts.

In 2024, this dual approach earned national recognition. Kapital Bank was named the leading bank in Corporate Social Responsibility and the Most Active Bank Supporting Educational Projects by the Azerbaijan Banks Association. We view our community engagement not as charity, but as strategic investments that contribute to the social and economic resilience of Azerbaijan. Through ongoing dialogue and collaboration with local stakeholders, we continuously identify community needs and prioritize initiatives that align with our values and business goals. This focus ensures that our contributions create meaningful and lasting benefits for the communities we serve.

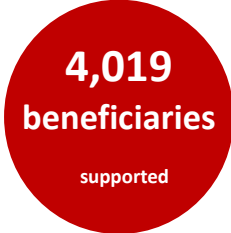
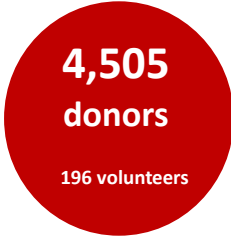


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Red Hearts Foundation

The Red Hearts Foundation embodies our employees’ collective passion and commitment toward societal well-being. Initially formed as a modest volunteer initiative in early 2020, it quickly blossomed into an impactful foundation officially established on December 15, 2020. Today, Red Hearts proudly operates across three primary areas of social impact: community support, environmental stewardship, and animal welfare. In 2024 alone, the Red Hearts Foundation mobilized a remarkable 1,870,000 AZN from 4,505 generous donors, supported by the dedicated involvement of 196 volunteers.



Altogether, our initiatives directly benefited over 4,019 individuals across multiple societal segments, demonstrating the profound and tangible difference our collective efforts can make.

Protecting the Environment for Future Generations

In celebration of the 150th anniversary of Kapital Bank, environmental stewardship took center stage through our ambitious “Zero Waste” Solidarity Marathon. Over two months in 2024, this initiative



In celebration of the 150th anniversary of Kapital Bank, environmental stewardship took center stage through our ambitious “Zero Waste” Solidarity Marathon. Over two months in 2024, this initiative mobilized 241 dedicated volunteers across 29 regional branches, including Ganja-Dashkasan, Lankaran-Astara, Central Aran, Shaki-Zagatala, and Baku, collecting nearly 3,000 kilograms of waste from natural areas. The campaign culminated in a cleanup event in Bilgah, Baku, attended by about 70 volunteers, including representatives from the Ministry of Ecology and Natural Resources. This initiative underscores our nation’s commitment to global environmental standards, aligning with Azerbaijan’s broader

efforts to promote sustainability on the international stage. Complementing the Solidarity



Marathon, we also expanded our efforts through the “**Batareyaları Təslim Et, Təbiəti Qoru**” campaign, which introduced 225 battery disposal points nationwide. This effort successfully removed 1,546 kg of hazardous battery waste, helping to prevent environmental contamination. Meanwhile, our signature “**Vətən Bağlı**” project continued to thrive. This year, 6,755 trees were planted across 28 regions, including 400 trees in Tartar region, each representing our shared responsibility toward environmental restoration.

Fostering Education & Empowering Lives

We believe that education is cornerstone for societal progress. In 2024, our “**Hər Şey Mümkündür**” scholarship supported 23 promising students with monthly stipends, fostering their academic ambitions. To further enhance their professional development the “OnuOxut” initiative offered selected scholars, to specialized IT training, equipping them with valuable skills for future careers. Inclusivity remains central to our educational philosophy. As part of this commitment, we organized masterclasses for 53 children with Down syndrome and autism

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Supporting Communities & Transforming Lives

Throughout 2024, Red Hearts initiatives reached communities across Azerbaijan, touching lives with compassion and purpose. During cultural celebrations such as Ramadan, Novruz, Qurban, and Victory Day, our regular support campaigns provided food assistance to 927 vulnerable families. The **“Tarix Yazan Qəhrəmanlarımız”** project delivered targeted support to 20 families of martyrs and veterans, reaffirming our duty toward those who sacrificed greatly f



or our nation. Complementing these efforts, the **“Onlar Bizə Əmanətdir”** project provided comprehensive care for 1,800 children of fallen soldiers, emphasizing our long-term commitment to ensuring their well-being and future prospects. Our compassion extended further with visits to the homes of children, positively impacting 285 children through consistent support and heartfelt care.

Caring for Animals

As part of our broader commitment to social responsibility, the **“Pəncəli Ürəklər”** project supported urban animal welfare by placing 20 feeding stations across Baku and encouraging

public engagement through donation features on the Birbank mobile app.

Strategic Partnerships for Broader Impact



Understanding the value of collaboration, Red Hearts partnered with reputable entities such as Design Bureau LLC and the Educational Development Fund, formalizing these strategic



alliances through signed memoranda. These partnerships amplify our impact, fostering innovation and ensuring sustainability in education, community enrichment, and cultural development. Our consistent and heartfelt contributions garnered international recognition, notably the prestigious Felis Award, reflecting our commitment to innovation, creativity, and genuine community impact.

The story of Red Hearts is an ongoing journey of compassion, action, and transformation,

reflecting the unwavering dedication of Kapital Bank to building a sustainable, inclusive, and caring society for current and future generations. Building on the impactful work of the Red Hearts Foundation, Kapital Bank’s dedicated CSR team continues to implement a range of initiatives focused on social impact and community development. Through the combined efforts of our CSR team and the Red Hearts Foundation, these initiatives aim to address key social issues, support educational opportunities, and foster inclusion – demonstrating our dedication to supporting communities across Azerbaijan. One notable initiative was the **“Arzumuz var!”** scholarship program, aimed at empowering young girls by providing access to educational opportunities. This program highlighted our support for gender diversity and inclusion while also strengthened our brand image by supporting the future talent pipeline and building long-term community relationships.

In a similar spirit, Kapital Bank’s Emotional Intelligence and Career Guidance trainings support youth development by equipping university students with essential soft skills and career planning tools. Through partnerships with local universities and interactive sessions led by bank professionals, the initiative strengthens student readiness for the job market and reflects our commitment to social responsibility and talent empowerment.

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Our commitment also extends to supporting vulnerable groups. Through our collaboration with “**Yaşa Mərkəzi**” which provided essential services for people with disabilities, we helped improve the quality of life for vulnerable populations. This partnership not only reflected our values of building an accessible society for all, but also helped attract customers who share our principles of social responsibility and community support.

In addition, we also engage the wider community through events such as the Victory Run, which boosted employee engagement and team spirit while enhancing the Bank’s brand image. These events enhance internal engagement while reinforcing our external reputation as a responsible corporate citizen.

We also place strong emphasis on youth and innovation. Our involvement in the Azerbaijan



Business Case Competition encouraged entrepreneurial thinking and supported the next generation of business leaders, while simultaneously building strong connections with

academic institutions and the broader community.

Taken together, these diverse initiatives reflect Kapital Bank’s deep-rooted commitment to corporate social responsibility. Looking ahead, we will continue to expand and evolve our programs to better address the needs of society. Our ongoing dedication to sustainability and social welfare will guide our efforts as we continue contributing to a more sustainable and inclusive future for the communities we serve across Azerbaijan.

Additionally, the “DanceAbility” program, “Bütün Vücutlar Danışır”, brought expressive arts to 466 individuals with disabilities through 16 carefully designed workshops, fostering emotional expression, creativity, and a stronger sense of belonging.

HR Excellence Award



Our
Environmental
Footprint

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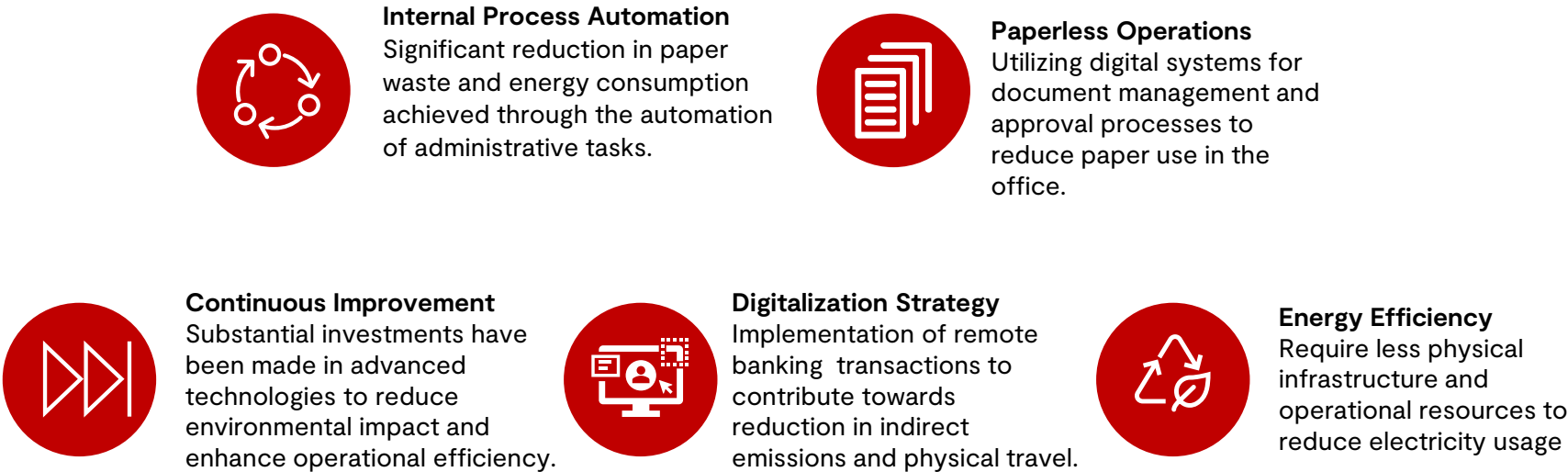
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Our Environmental Footprint

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As global challenges surrounding climate change and environmental risks intensify, the imperative for sustainable action within the financial sector grows stronger. A key pillar of this commitment is our Environmental Management System (EMS), which provides a structured framework for identifying and monitoring our environmental impact across all operations (Figure 50). Through the EMS, we ensure that our actions are consistent, measurable, and aligned with best practices, while also driving continuous improvement in our sustainability performance. Complementing this system, we have further advanced the digitization and automation of core processes to reduce resource consumption and emissions. Guided by international frameworks, including UN SDGs, and the Paris Climate Agreement, our environmental strategy reflects a future-oriented vision that prioritizes sustainability, innovation, and accountability at the forefront of our growth. While our sector’s environmental footprint is relatively modest, we take deliberate steps to reduce the impact of our activities.

Figure 50. Steps in Environmental



Our Environmental Footprint

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Carbon and Energy Performance

In the banking industry, energy consumption is one of the most impactful environmental topics. We understand this responsibility and manage our energy use efficiently to achieve operational excellence and minimize our impact on the environment. Thus, we closely monitor energy use and emissions, identify improvement opportunities, and implement measures to reduce our environmental impact. Our energy management efforts are guided by internal policies focused on efficient resource use and aligned with our environmental priorities. The Bank regularly tracks performance against key indicators, such as total energy consumption and energy intensity, and uses this data to support operational decision-making. These practices are periodically reviewed to ensure effectiveness and drive continuous improvement.

Between 2022 and 2024, total energy consumption increased by approximately 20%, primarily due to the expansion of our branch network and the deployment of additional ATMs, which have enhanced service accessibility but increased energy demand. Despite this growth, energy intensity relative to revenue remained stable (Table 8), indicating effective energy management amid expanding operations. We continue to prioritize energy-saving initiatives such as infrastructure modernization, expansion of our hybrid vehicle fleet, and improvements in energy performance across branches, data centers, and administrative offices.

Table 8. Energy Consumption Overview

	2022	2023	2024
Total electricity consumption, kWh	9,138,421	9,292,633	10,413,751
Total natural gas consumption, thousand cubic meters	450	454	562
Total fuel consumption, ton, including:	604	584	582
i. Diesel, ton	192	230	101
ii. Petroleum, ton	412	354	481
Energy intensity, GJ per employee	16.58	15.06	17.62
Energy intensity, GJ per revenue	0.08	0.07	0.07

This increase in energy use has a direct effect on our greenhouse gas emissions profile. In 2024, Scope 1 emissions, which come from fuel use and other direct sources, increased due to the expanded operational footprint. At the same time, Scope 2 emissions which is linked to purchased electricity, declined, reflecting improvements in energy efficiency and investments in upgraded infrastructure.

Overall, total GHG emissions decreased in 2024 compared to 2022, reaching 6,801 tons (Table 9). While growth in direct emissions underscores the environmental cost of business expansion, the reduction in indirect emissions shows progress in managing energy use more sustainably.

Table 9. Greenhouse gas emissions overview

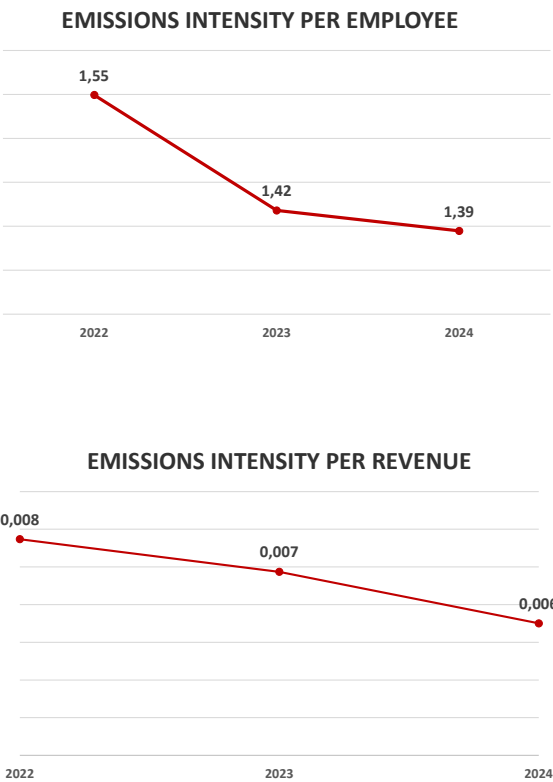
	2022	2023	2024
Total emissions, tons	7,480	7,534	6,801
Scope 1, tons	1,874	1,836	3,586
Scope 2, tons	5,606	5,698	4,205

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To evaluate our environmental performance in the context of business expansion, we track emissions intensity relative to both workforce size and revenue (Figure 51).

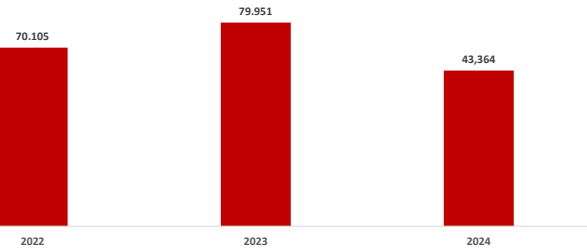
Figure 51. Tendencies in Emission



These indicators help us assess how effectively we manage emissions in relation to increasing operational demands, offering a clearer view of our progress toward sustainable development. Emissions intensity per employee decreased by 10% between 2022 and 2024, showing that we are using energy more efficiently as we grow. This means our expansion is becoming less carbon-intensive on a per-employee basis. This reduction in emissions intensity is supported by measures such as upgrading equipment for greater energy efficiency, streamlining operations to minimize waste, and embedding sustainability principles throughout the organization. Alongside this, emissions intensity per unit of revenue also saw a significant decline, decreasing by 25% over the same period. This demonstrates that our financial growth is increasingly decoupled from environmental impact, reflecting continued improvements in operational efficiency and sustainability performance. In parallel, the Bank is leveraging digital transformation to reduce its environmental footprint. Paperless workflows, expanded digital banking services, and automated internal processes are helping to cut resource use and lower emissions associated with traditional banking operations. Water and Waste Management Kapital Bank is dedicated to the responsible management of natural resources as part of its environmental stewardship. We closely track water use and waste generation to ensure

ongoing improvements in resource efficiency alongside business growth. These topics are managed through internal procedures focused on monitoring, compliance, and efficiency. The Bank collects data on water withdrawal and waste generation across its operations and evaluates trends to identify areas for improvement. Performance is assessed regularly to support informed decision-making and guide future actions. These management practices help us reduce unnecessary resource use and improve overall environmental performance. In 2024, total water withdrawal decreased by nearly 24% compared to the previous year, despite an increase in the number of branches (Figure 52). This significant reduction was made possible through efforts such as upgrading water fixtures, repairing leaks, and promoting water-saving behaviors among employees. These measures helped reduce unnecessary consumption without compromising operational needs, reflecting our commitment to conserving water resources amid expansion

Figure 52. Water Withdrawal, cubic



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Conversely, waste increased in 2024, rising 13% from the previous year and nearly 30% compared to 2022. This growth is primarily linked to the expansion of branch operations and increased daily activity, which naturally led to higher volumes of office-related waste, including paper, packaging, and electronic materials.

Table 10. Waste Management Overview

	2022	2023	2024
Total weight of waste generated, tons	4,339	4,969	5,599
Total weight of recycled waste, tons	34	26	17

Kapital Bank manages its waste through internal procedures that support proper separation, collection, and disposal across its network. Where possible, waste is recycled; otherwise, it is handled by certified third-party contractors in line with regulatory requirements. These systems help reduce the environmental impacts of waste, especially as operations expand. As part of our transition to a paperless system in 2024, we significantly reduced paper usage. All used paper was recycled, contributing to the preservation of approximately 10,000 trees.

To address these issues, Kapital Bank is strengthening its waste management framework by enhancing employee training on waste separation and establishing clearer processes to divert more waste from landfills. These efforts aim to reverse the downward trend in recycling and further reduce our environmental footprint. Together, these initiatives demonstrate Kapital Bank’s ongoing commitment to optimizing

Waste generated across the Bank contributes to environmental impacts such as increased landfill use and missed recycling opportunities, especially in regions where adequate recycling infrastructure is lacking.

During the same period, recycled waste fell by almost half since 2022, mainly due to challenges

resource use and advancing sustainability across all areas of our operations.

Looking Ahead

Moving forward, Kapital Bank remains steadfast in its mission to drive sustainable growth and innovation across all aspects of our operations. Our 2024–2026 strategic roadmap places a heightened focus on digital transformation, positioning the Bank as a leader in customer-centricity and a technology-enabled financial services. In the years to come, we aim to further enhance our digital platforms, using cutting-edge technologies such as AI, machine learning, and advanced data analytics to provide more personalized, accessible, and efficient banking experiences for every customer segment.

AI-driven services will play an increasingly central role in shaping our offerings – from intelligent virtual assistants and predictive financial

in waste sorting and limited recycling facilities at some new locations. As a result, more waste is directed to disposal (Table 10).

advisory tools to dynamic risk management and proactive fraud detection. These innovations are designed not only to improve service quality and convenience but also to empower individuals and businesses with actionable financial insights, helping them make informed decisions.

In parallel, we will continue modernizing our internal operations with AI-enabled process automation, streamlining resource use and minimizing our environmental impact. As part of our broader commitment to social responsibility and sustainable development, we will also continue supporting community-focused initiatives.

Our Environmental Footprint

GRI 2-14, 2-22

supporting community-focused initiatives. In 2025, we will launch the “Change Begins with You!” project – an educational anti-bullying initiative aimed at creating a safe and inclusive environment in secondary schools. Initiated and sponsored by Birbank, organized by the “**Dərs Evi**” Educational Center, and supported by the Institute of Education of the Republic of

Azerbaijan, this project reflects our dedication to youth well-being and social inclusion. Through teacher trainings, awareness campaigns, and partnerships with educational institutions, the project will serve as a key pillar of our CSR efforts. Through these efforts, Kapital Bank is committed to fostering an inclusive digital economy where all communities can benefit from secure and

responsible financial services. By embedding AI and digitalization into the core of our business strategy, alongside meaningful social initiatives like the anti-bullying campaign, we seek to sustain long-term resilience and competitiveness, all while maintaining our leadership in Azerbaijan’s evolving financial landscape.



Performance tables

GRI 2-14, 2-22

Financial

Economic indicators, thousands AZN	2022	2023	2024
Capital Investment	2,693,995	1,804,474	3,365,343 ¹
Total assets	7,884,039	8,794,319	11,553,494 ²
Total capitalization	986,007	1,121,080	1,220,761
Total revenues	966,887	1,096,759	1,415,647 ³
Retail loan portfolio amount	1,817,533	2,322,391	2,893,423 ⁴
Corporate loan portfolio amount	745,198	983,695	1,095,862 ⁵
Mortgage portfolio amount	418,325	571,201	609,307
Individual entrepreneurs	168,269	370,721	570,097 ⁶
Total deposit portfolio amount	6,158,046	6,464,415	9,051,456 ⁷
Economic value distributed	(385,111)	(456,449)	(582,228)
Operating expenses	(139,894)	(173,707)	(212,428)
Payments to the state budget, including	(139,736)	(147,652)	(120,667) ⁸
Profit tax	(92,867)	(92,568)	(67,162)
Property tax	(804)	(1,049)	(875)
Withholding tax	(25,116)	(27,401)	(18,981)
Land tax	(28)	(30)	(28)
SSPF charges	(20,922)	(26,604)	(33,621)
Interest payments	(81,910)	(115,009)	(228,051) ⁹
Community investments, including	(23,571)	(20,081)	(21,082)
Contributions to charities, NGOs and research institutes (unrelated to the organization’s commercial research and development)	(15,764)	(14,436)	(13,762)
Funds to support community infrastructure, such as recreational facilities	(1,577)	(317)	(503)
Direct costs of social programs, including arts and educational events	(6,230)	(5,328)	(6,817)
Other expenses	0	0	0
Economic value retained	581,776	640,310	833,419

1 The increase in capital investment is primarily attributable to the expansion of investment securities.

2 The growth in total assets reflects an increase in investment securities, alongside higher cash holdings, loan portfolio growth, and reverse repurchase agreements. Numbers are taken from the Separate IFRS Report 2024.

3 Total revenue rose due to higher interest and commission income.

4 The expansion of the retail loan portfolio results from an increased number of active retail accounts and the Bank’s strategic focus on enhancing product offerings and distribution channels.

5 Growth in corporate loans is driven by an expanding client base and the Bank’s continued involvement in financing national and regional development projects.

6 The rise in loans to individual entrepreneurs is mainly due to portfolio growth in the microloan segment.

7 The increase in the total deposit portfolio is attributed to growth in both the number and volume of deposits from legal entities and individual customers.

8 The decline in payments to the state budget stems from interest payment exemptions and higher expenditures, including provisions, loyalty programs, employee compensation, and investments.

9 The increase in interest payments reflects both the expansion of the deposit portfolio and higher prevailing interest rates.

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Governance

Anti-competitive behaviour	2022	2023	2024
Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behavior regulations, AZN	0	0	0

Compliance with laws and regulations	2022	2023	2024
Total number of significant instances of non-compliance with laws and regulations, including	0	0	0
instances for which fines were incurred	0	0	0
instances for which non-monetary sanctions were incurred	0	0	0
Total monetary value of fines for instances of non-compliance with laws and regulations that were paid during the reporting period, AZN	0	0	0

General Legal requirements	2022	2023	2024
Number of legal actions pending regarding anti-competitive behavior and violations of anti-trust and monopoly legislation	0	0	0
Number of legal actions completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation	0	0	0
Total number of operations that have been subject to human rights reviews or human rights impact assessments	0	0	0
Percentage of operations that have been subject to human rights reviews or human rights impact assessments	0	0	0
Total number of complaints regarding data privacy received from:	0	0	0
Third parties	0	0	0
Regulatory bodies	0	0	0
Total number of identified leaks, thefts, or losses of customer data	0	0	0
Total number of identified data breaches	0	0	0

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Governance

Anti-corruption	2022	2023	2024
Percentage of operations assessed for risks related to corruption	0	0	0
Total number of governance body members that the organization's anti-corruption policies and procedures have been communicated to	0	478	592
Percentage of governance body members that the organization's anti-corruption policies and procedures have been communicated to	100	100	100
Total number of employees that the organization's	0	216	217
anti-corruption policies and procedures have been communicated to, by category	0	5,313	5,586
Executive	0	478	592
Specialist	0	4,619	4,777
Technician	0	216	217
Other	0	0	0
Percentage of employees that the organization's	0	478	592
anti-corruption policies and procedures have been communicated to, by category	100	100	100
Total number of business partners (e.g. suppliers) that the organization's anti-corruption policies and procedures have been communicated to, by category	581	864	952
Percentage of business partners (e.g. suppliers) that the organization's anti-corruption policies and procedures have been communicated to	100	100	100
Total number of governance body members that have received training on anti-corruption	0	478	592
Percentage of governance body members that have received training on anti-corruption	0	100	100
Total number of employees that have received training on anti-corruption	0	4,288	5,586
Percentage of employees that have received training on anti-corruption	0	100	100
Total number of confirmed incidents of corruption	0	0	0
Total number of confirmed incidents of corruption	0	0	0
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	0	0	0
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	0	0	0

Governance

Suppliers ¹⁰	2022	2023	2024
Total number of suppliers	581	864	952
Total number of local suppliers	532	763	823
Total number of foreign suppliers	49	101	129
Proportion of suppliers by location, % from total:		0	0
Local suppliers	92	88	86
Foreign suppliers	8	12	14

Procurement	2022	2023	2024
Share of the procurement budget that is spent on local	0	0	0

Operational

Customers	2022	2023	2024
Number of active total customers	3,267,806	3,836,309	4,083,655
Number of active individual customers	3,084,334	3,638,261	3,810,371
Number of active corporate customers	27,070	34,369	228,743
Number of active individual entrepreneurs	156,402	163,679	44,541
Amount of cashbacks returned to customers, AZN	21,092,497	63,035,821	57,788,242

¹⁰ The increases are due to our new office establishment and associated operational preparations. The new office establishment and the associated rental, renovation, furnishing, and technical setup activities.

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Operational

Customers	2022	2023	2024
Number of active total customers	2,984,961	3,642,154	4,268,982
Number of active individual customers	2,918,887	3,549,415	4,129,498
Number of active entrepreneur customers (SME & Micro Segments)	58,954	85,951	132,643
Number of large corporate customers	7,120	6,788	6,841
Amount of cashbacks returned to customers, AZN	21,092,497	63,035,821	57,788,242
Number of active internet banking users	0	11,733	13,092
Number of active Birbank users (mobile users)	2,014,304	2,682,790	3,219,052
Number of newly registered Birbank users (mobile users)	135,710	133,392	126,747
Net Promoter Score (NPS) indicator, %			
Retail	41	41	47.5
SME	43	45	51.5
Number of customers, by category:			
Corp (Large business customers)	7,120	6,788	6,841
SME	22,624	18,979	20,228
Micro	36,330	66,972	112,415
Number of lending customers	1,126,469	2,142,726	2,881,665
Amount of customer deposits, AZN thsd	6,158,046	6,464,415	9,051,456

The rise in Birbank user numbers aligns with the Bank’s customer-centric strategy and efforts to integrate digital services into a unified ecosystem, supported by continuous product diversification and platform enhancements.

NPS improvements across Micro, SME, and retail segments are attributed to the automation of key processes and ongoing enhancements to the Birbank platform.

The increase in the number of Micro and SME clients is

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Operational

Service	2022	2023	2024
Number of debit cards	4,740,640	6,142,042	7,197,076
Number of credit cards	881,911	888,619	975,457
Number of active salary cards	1,194,424	1,342,132	1,282,018
Number of pension cards	614,608	708,432	733,763
Total amount of money transfers in AZN (Domestic and Transfers Abroad)	29,502,441,435	39,650,856,740	47,924,335,310
Number of branches, by categories	138	158	172
Baku	39	41	46
Regions	75	76	72
Number of ATMs, by categories	986	1,030	1,107
Baku	475	501	541
Regions	511	529	566
Number of digital offices	2	2	2

Social

Employee Indicators, by gender	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Total number of employees, by gender and category	3,021	1,807	3,271	2,042	3,391	2,195
Executive	16	1	13	4	15	4
Management	357	67	389	72	483	90
Professional	2,615	1,568	2,832	1,787	2,856	1,921
Support staff	33	171	37	179	37	180
Total number of employees by employment type	3021	1807	3,271	2,042	3,391	2,195
Total number of permanent employees	3,003	1,767	3,247	1,982	3,369	2,135
Total number of temporary employees	18	40	24	60	22	60
Total number of employees by employment contract	3,021	1,807	3,271	2,042	3,391	2,195
Total number of full-time employees	2,979	1,764	3255	2,022	3,377	2,186
Total number of part-time employees	42	43	16	20	14	9

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Employees, by age	2022			2023			2024		
	Under 30	30-50	Over 50	Under 30	30-50	Over 50	Under 30	30-50	Over 50
Total number of employees, by age and by category	2,232	2,266	330	2,732	2,290	291	2,690	2,604	292
Executive	0	11	6	0	14	3	0	15	4
Management	14	327	38	20	410	31	42	510	21
Professional	2,214	1,799	170	2,708	1,759	152	2644	1980	153
Support Staff	115	4	84	4	107	105	4	99	114

Parental leave	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Total number of employees that were entitled to parental leave, by gender	3,021		1,807		3,391	
Total number of employees that took parental leave, by gender	54	203	50	218	61	183
Total number of employees that returned to work in the reporting period after parental leave ended	54	108	50	136	61	118
Total number of employees due to return to work after taking parental leave, by gender	54	108	50	136	61	118
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work, by gender	47	102	44	134	53	113
Return to work rate of employees that took parental leave, by gender	100	100	100	100	100	100
Retention rate of employees that took parental leave, by gender	87.04	94.44	88	98.53	86.89	95.76

New employee hires and employee turnover, by gender	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Total number of new employee hires	787	518	652	429	634	395
Total number of employee turnover	401	172	402	194	514	242
Rate of employee turnover	0.13	0.10	0.12	0.10	0.15	0.11
Rate of employee turnover, %	11.5%		11.0%		13.5%	

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New employee hires and employee turnover, by age	2022			2023			2024		
	Under 30	30-50	Over 50	Under 30	30-50	Over 50	Under 30	30-50	Over 50
Total number of new employee hires	1,043	255	7	850	223	8	776	243	10
Total number of employee turnover	343	216	14	349	200	47	417	300	39
Rate of employee turnover	15%	10%	4%	13%	9%	16%	16%	12%	13%

Senior management hired from local community	2022	2023	2024
Percentage of senior management hired from the local community	0	1	1
Senior management hired, total	0	2	2

Talent development	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Total number of training hours	18,851	8,788	38,208	19,167	61,405	34,217
Average number of training hours provided to employees, by category	33	25	42.21	37	86.18	77.12
Executive	10	0	14.07	14.4	42	16
Specialist	8	8	11.62	10.81	28	44
Professional	9	11	10.67	8.82	17	16
Support Staff	6	6	5.85	2.97	1	1
Percentage of total employees who received a regular performance and career development review, by category	100	100	100	100	100	100

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Social

Employee engagement	2022	2023	2024
Organizational health indicator (OHI) score	84	87	TBA
Engagement score	N/A	90	92

Diversity of governance bodies, by gender	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Total number of individuals within the governance bodies, by gender	9	0	9	1	9	1

Diversity of governance bodies, by age	2022			2023			2024		
	Under 30	30-50	Over 50	Under 30	30-50	Over 50	Under 30	30-50	Over 50
Number of individuals within the governance bodies, by age	0	7	2	0	9	1	0	9	1

Diversity of employees	2022	2023	2024
Number of employees with disabilities	351	228	229

Non-discrimination	2022	2023	2024
Total number of incidents of discrimination	0	0	0

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Ratio of salary, by gender	2022		2023		2024	
	Male	Female	Male	Female	Male	Female
Ratio of standard entry-level wage compared to local minimum wage, by gender	1.50	1.34	1.93	1.72	2.49	1.64
Ratio of the basic salary of women to men, including	0.89		0.89		0.66	

Annual total compensation ratio	2022	2023	2024
Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees (excluding the highest paid individual)	603%	556%	588%
Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual)	147%	92%	106%

Occupational health and safety	2022	2023	2024
Total number of hours worked	9,308,384	10,200,960	11,025,800
Number of hours worked per employee	1,928	1,920	1,901
Number of recordable injuries	0	0	3
Injury frequency rate (per 200,000 hours worked)	0	0	0
Number of Lost Time Injuries (LTI)	0	0	3
LTI Frequency Rate (LTIFR) (per 200,000 hours worked)	0	0	0
Number of days lost due to injury/accident	0	0	30
LTI severity rate (per 200,000 hours worked)	0	0	1
Number of fatalities as a result of	986	1,030	1,107
work-related ill health	475	501	541
Number of cases of recordable	511	529	566
work-related ill health	0	0	0
Number of cases of recordable			
work-related ill health	0	0	0

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Annual total compensation ratio	2022	2023	2024
Number of conducted OHS trainings	96	40	6
Number of employees who received OHS training	822 876	1,642 179	859 48
Percentage of employees who received OHS training	99.5	99.5	99.5
OHS training hours	192	80	48

Environment

Emission indicators	2022	2023	2024
Emission intensity per employee	1.55	1.42	1.39
Emission intensity per revenue	0.008	0.007	0.006

Water indicators	2022	2023	2024
Total water withdrawal, thousand cubic meters	70,105	79,951	43,364
Total freshwater withdrawal, thousand cubic meters	206.2	298.6	385.3

Waste indicators	2022	2023	2024
Total weight of hazardous waste generated, tons	0	0	0

GRI Index

Statement of Use		Kapital Bank has reported in accordance with GRI standards for the period: 01.01.2024 – 31.01.2024	
GRI 1 used		GRI 1: Foundation 2021	
GRI standard / Other source	Disclosure	Disclosure Status	Section
GRI 2: General Disclosures 2021	General disclosures		
	2-1 Organizational details	Disclosed	About the Report
	2-2 Entities included in the organization's sustainability reporting	Disclosed	About the Report
	2-3 Reporting period, frequency and contact point	Disclosed	About the Report
	2-4 Restatements of information	Disclosed	No restatements of previously reported information were made during the reporting period.
	2-5 External assurance	Disclosed	Limited assurance statement
	2-6 Activities, value chain and other business relationships	Disclosed	About Us
	2-7 Employees	Disclosed	Investing in Human Capital
	2-8 Workers who are not employees	Not Applicable	Kapital Bank employs only direct employees and does not engage workers who are not employees.
	2-9 Governance structure and composition	Disclosed	Organizational Structure
	2-10 Nomination and selection of the highest governance body	Disclosed	Supervisory Board
	2-11 Chair of the highest governance body	Disclosed	Supervisory Board
	2-12 Role of the highest governance body in overseeing the management of impacts	Disclosed	Supervisory Board
	2-13 Delegation of responsibility for managing impacts	Disclosed	Supervisory Board
	2-14 Role of the highest governance body in sustainability reporting	Disclosed	Supervisory Board
	2-15 Conflicts of interest	Disclosed	Managing Conflict of Interests

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GRI 2: General Disclosures 2021

2-17 Collective knowledge of the highest governance body	Disclosed	Supervisory Board
2-18 Evaluation of the performance of the highest governance body	Disclosed	Evaluation of the Highest Governance Body
2-19 Remuneration policies	Disclosed	Talent Acquisition and Development
2-20 Process to determine remuneration	Disclosed	Talent Acquisition and Development
2-21 Annual total compensation ratio	Disclosed	Performance Tables
2-22 Statement on sustainable development strategy	Disclosed	Message from the CEO
2-23 Policy commitments	Disclosed	Ethics and Compliance at Kapital Bank
2-24 Embedding policy commitments	Disclosed	Ethics and Compliance at Kapital Bank
2-25 Processes to remediate negative impacts	Disclosed	Ethics and Compliance at Kapital Bank
2-26 Mechanisms for seeking advice and raising concerns	Disclosed	Ethics and Compliance at Kapital Bank, Upholding Human Rights and Fair Labor Practices
2-27 Compliance with laws and regulations	Disclosed	Ethics and Compliance at Kapital Bank
2-28 Membership associations	Disclosed	Kapital Bank is the member of Azerbaijan Banks Association.
2-29 Approach to stakeholder engagement	Disclosed	Engaging with our Stakeholders
2-30 Collective bargaining agreements	Disclosed	No collective bargaining agreements were in effect during the reporting period.

Material Topics

GRI 3: Material Topics 2021

3-1 Process to determine material topics	Disclosed	Materiality Assessment
3-2 List of material topics	Disclosed	Materiality Assessment
3-3 Management of material topics	Disclosed	Materiality Assessment

Economic performance

GRI 3: Material Topics 2021

3-3 Management of material topics	Disclosed	Materiality Assessment,
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GRI 201: Economic Performance 2016

201-1 Direct economic value generated and distributed	Disclosed	Our Financial Contributions
201-2 Financial implications and other risks and opportunities due to climate change	Disclosed	Kapital Bank plans to consider the risks that may arise as a result of climate change and the available opportunities.
201-3 Defined benefit plan obligations and other retirement plans	Disclosed	The Bank's defined benefit plan obligations and other retirement plans are governed in accordance with the provisions set forth in the Labor Code of the Republic of Azerbaijan.
201-4 Financial assistance received from government	Disclosed	Kapital Bank did not receive any financial assistance from the government during the reporting period.

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Market Presence

GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Disclosed	Performance Tables
	202-2 Proportion of senior management hired from the local community	Disclosed	Performance Tables

Indirect economic impacts

GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Disclosed	Our Financial Contributions
	203-2 Significant indirect economic impacts	Partially Disclosed	Our Financial Contributions

Procurement practices

GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Responsible Procurement and Supply Chain Practices
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Disclosed	Responsible Procurement and Supply Chain Practices

Anti -corruption

GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Anti-Bribery and Corruption Measures
	205-1 Operations assessed for risks related to corruption	Disclosed	Anti-Bribery and Corruption Measures
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	Disclosed	Performance Tables
	205-3 Confirmed incidents of corruption and actions taken	Disclosed	Performance Tables

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Anti-competitive behavior

GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Ethics and Compliance at Kapital Bank
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Disclosed	Performance Tables

Tax

GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Driving Long-term Economic Value
GRI 207: Tax 2019	207-1 Approach to tax	Disclosed	Driving Long-term Economic Value
	207-2 Tax governance, control, and risk management	Disclosed	Driving Long-term Economic Value
	207-3 Stakeholder engagement and management of concerns related to tax	Disclosed	Driving Long-term Economic Value
	207-4 Country-by-country reporting	Not Applicable	Kapital Bank operates solely within the jurisdiction of Azerbaijan.

Materials

GRI 3: Material Topics 2021	301-1 Materials used by weight or volume	Disclosed	Our Environmental Footprint
	301-2 Recycled input materials used	Not Applicable	As a financial institution, Kapital Bank does not engage in production processes that involve the use of input materials or the generation of physical products and packaging.
	301-3 Reclaimed products and their packaging materials	Not Applicable	

Energy

GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Our Environmental Footprint
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Disclosed	Our Environmental Footprint
	302-2 Energy consumption outside of the organization	Not Disclosed	
	302-3 Energy intensity	Disclosed	Our Environmental Footprint
	302-4 Reduction of energy consumption	Disclosed	During the reporting period, total energy consumption increased due to operational growth. Despite this, energy efficiency measures were maintained, and efforts to identify further reduction opportunities continue.
GRI 302: Energy 2016	302-5 Reductions in energy requirements of products and services	Not Disclosed	

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Water and effluents

GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Our Environmental Footprint
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Disclosed	Kapital Bank did not use any shared water resources during the reporting period.
	303-2 Management of water discharge related impacts	Not Disclosed	
	303-3 Water withdrawal	Disclosed	Our Environmental Footprint, Performance Table
	303-4 Water discharge	Not Disclosed	
	303-5 Water consumption	Not Disclosed	

Biodiversity

GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not Applicable	As a financial institution, Kapital Bank does not operate in sectors with direct interaction with natural ecosystems. Its activities are office-based and do not involve land use, resource extraction, or operations in or near protected areas or areas of high biodiversity value.
	304-2 Significant impacts of activities, products, and services on biodiversity	Not Applicable	
	304-3 Habitats protected or restored	Not Applicable	
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Not Applicable	

Emissions

GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Our Environmental Footprint
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Disclosed	Our Environmental Footprint, Performance Tables
	305-2 Energy indirect (Scope 2) GHG emissions	Disclosed	Our Environmental Footprint, Performance Tables
	305-3 Other indirect (Scope 3) GHG emissions	Not Disclosed	
	305-4 GHG emissions intensity	Disclosed	Our Environmental Footprint, Performance Tables
	305-5 Reduction of GHG emissions	Disclosed	Our Environmental Footprint, Kapital Bank, as a financial institution, is not engaged in activities that involve the production, use, or direct emission of ozone-depleting substances (ODS), nitrogen oxides (NOx), sulfur oxides (SOx), or other significant air emissions.
	305-6 Emissions of ozone-depleting substances (ODS)	Not Applicable	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Not Applicable	

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Waste

GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impact	Disclosed	Our Environmental Footprint
	306-2 Management of significant waste-related impacts	Disclosed	Our Environmental Footprint
	306-3 Waste generated	Disclosed	Our Environmental Footprint,
	Performance Tables	Not disclosed	
	306-4 Waste diverted from disposal	Disclosed	Our Environmental Footprint
	306-5 Waste directed to disposal	Disclosed	Our Environmental Footprint

Supplier environmental assessment

GRI 3: Material Topics 2021	3-3 Management of material topics	Partially Disclosed	Responsible Procurement and Supply Chain
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Disclosed	Supplier environmental and social assessments will be conducted in the coming years.
	308-2 Negative environmental impacts in the supply chain and actions taken	Disclosed	

Employment

GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Investing in Human Capital
GRI 302: Energy 2016	401-1 New employee hires and employee turnover	Disclosed	Performance Tables
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Disclosed	Investing in Human Capital
	401-3 Parental leave	Disclosed	Performance Tables
	401-3 Parental leave	Disclosed	Performance tables

Labor/management relations

GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Disclosed	Minimum notice periods regarding operational changes are regulated by the Labor Code of the Republic of Azerbaijan and internal company guidelines.
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Occupational health and safety

GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Disclosed	Employee Satisfaction and Workplace Wellbeing
	403-2 Hazard identification, risk assessment, and incident investigation	Disclosed	Employee Satisfaction and Workplace Wellbeing
	403-3 Occupational health services	Partially disclosed	Employee Satisfaction and Workplace Wellbeing
	403-4 Worker participation, consultation, and communication on occupational health and safety	Disclosed	Employee Satisfaction and Workplace Wellbeing
	403-5 Worker training on occupational health and safety	Disclosed	Employee Satisfaction and Workplace Wellbeing
	403-6 Promotion of worker health	Disclosed	Employee Satisfaction and Workplace Wellbeing
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Not disclosed	Employee Satisfaction and Workplace Wellbeing
	403-8 Workers covered by an occupational health and safety management system	Disclosed	All Kapital Bank's employees are covered by an occupational health and safety management system aligned with national labor legislation.
	403-9 Work-related injuries	Not Disclosed	Performance Tables
	403-10 Work-related ill health	Not Disclosed	Performance Tables

Training and education

GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Talent Acquisition and Development
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Disclosed	Performance Tables
	404-2 Programs for upgrading employee skills and transition assistance programs	Disclosed	Talent Acquisition and Development
	404-3 Percentage of employees receiving regular performance and career development reviews	Disclosed	Performance Tables

Diversity and equal opportunity

GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Upholding Human Rights and Fair Labor Practices
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Disclosed	Performance Tables
	405-2 Ratio of basic salary and remuneration of women to men	Disclosed	Performance Tables

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Non-discrimination			
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Disclosed	Performance Tables
Freedom of association and collective bargaining			
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Disclosed	No risks to freedom of association or collective bargaining were reported during the reporting period.
Child labor			
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Not Applicable	Kapital Bank is firmly opposed to child labor and adheres to both legal requirements and internal regulations to prevent its occurrence.
Forced or compulsory labor			
GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Upholding Human Rights and Fair Labor Practices
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Disclosed	Upholding Human Rights and Fair Labor Practices
Security practices			
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Disclosed	No human rights training was provided to security personnel during the reporting period.
Rights of Indigenous peoples			
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of Indigenous peoples	Not disclosed	No such incidents occurred during the reporting period
Local communities			
GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Our Role in Society
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Partially Disclosed	Our Role in Society
	413-2 Operations with significant actual and potential negative impacts on local communities	Not Disclosed	

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Supplier social assessment			
GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Responsible Procurement and Supply Chain
	414-1 New suppliers that were screened using social criteria	Disclosed	The practice of supplier assessment will be implemented in the upcoming reporting years.
GRI 414: Supplier Social Assessment 2016	414-2 Negative social impacts in the supply chain and actions taken	Disclosed	
	Public policy		
GRI 415: Public Policy 2016	415-1 Political contributions	Not disclosed	Kapital Bank made no financial or in-kind contributions to political parties, politicians, or related institutions during the reporting period.
Customer health and safety			
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Not disclosed	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Disclosed	There were no such incidents during the reporting period.
Marketing and labeling			
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Partially disclosed	Customer experience
	417-2 Incidents of non-compliance concerning product and service information and labeling	Disclosed	There were no such incidents during the reporting period.
	417-3 Incidents of non-compliance concerning marketing communications	Disclosed	There were no such incidents during the reporting period.
Customer privacy			
GRI 3: Material Topics 2021	3-3 Management of material topics	Disclosed	Safeguarding Customer Data

Abbreviations list

2FA	Two Factor Authorization	GRI	Global Reporting Initiative
ACCA	Association of Chartered Certified Accountants	GHG	Greenhouse Gas
AI	Artificial Intelligence	HNWI	High Net Worth Individuals
AML	Anti-Money Laundering	IAD	Internal Audit Department
API	Application Programming Interface	ICF	International Coaching Federation
ATM	Automated Transaction Machine	ILO	International Labor Organization
B2B	Business-to-Business	IRM	Information Risk Management
BUSBank	Azerbaijan United Universal Stock Bank	IT	Information Technology
CBAR	Central Bank of Azerbaijan Republic	IVR	Interactive Voice Response
CCO	Chief Compliance Officer	KPIs	Key Performance Indicators
CEO	Chief Executive Officer	KRI	Key Risk Indicator
CFT	Combating the Financing of Terrorism	KYC	Know Your Customer
CIP	Commercially Important Person	MBA	Master of Business Administration
CLV	Customer Lifetime Value	MCGF	Mortgage and Credit Guarantee Fund
CRM	Central Resource Management	MFA	Multi Factor Authentication
CRO	Chief Risk Officer	MLRO	Money Laundering Reporting Officer
CSAT	Customer Satisfaction Score	NPS	Net Promoter Score
CTR	Currency Transaction Report	NPL	Neuro-Linguistic Programming
DevSecOps	Development, Security, Operations	PACI	Partnering Against Corruption Initiative
DLP	Data Loss Protection	PCI DSS	Payment Card Industry Data Security Standard
EMS	Environmental Management System	PEP	Politically Exposed Person
ERM	Enterprise Risk Management	POS	Point of Sale
ERP	Enterprise Resource Planning	R&D	Research and Development
ESG	Environment, Social, and Governance	RAS	Risk Appetite Statement
ETFs	Exchange Traded Funds	RBAC	Role Based Access Controls
EV	Electric Vehicle	RBA	Risk Based Approach
EWS	Early Warning System	RCM	Risk Control Matrix
FATF	Financial Action Task Force	RCSA	Risk Control Self-Assessment
FAQ	Frequently Asked Questions	SAR	Suspicious Activity Report
Gen AI	Generative Artificial Intelligence	SIEM	Security Information Event Management System
GRC	Governance, Risk, Compliance		

Abbreviations list

SME	Small and Medium Enterprises
SMS	Short Message Service
SOC	Security Operations Centre
STR	Suspicious Transaction Report
UN SDGs	United Nations Sustainable Development Goals
UNEC	Azerbaijan State University of Economics
USB	Universal Serial Bus
UX	User Experience
VAT	Value Added Tax
VIP	Very Important Person
ZBB	Zero Based Budgeting

Independent Limited Assurance Statement

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Contact person for suggestions:

We value recommendations and comments from our stakeholders. We are open to any suggestions and appreciate significant input that would help improve our report and performance.