

**MCB Non-banking Credit Organization Closed Joint  
Stock Company**

Financial Statements

For the year ended December 31, 2025

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Table of contents

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	<b>Page(s)</b>
Statement of management responsibilities	1
Independent auditor's report	2 – 4
Statement of financial position	5
Statement of comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9 – 38

## Statement of management responsibilities

Management has prepared and is responsible for the fair presentation of financial statements and related notes of MCB Non-banking Credit Organization Closed Joint Stock Company (the "Company"). These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and also necessarily include amounts based on judgements and estimates made by management.

The operating results and statement of financial position of the Company are fully set out in the attached financial statements. The profit for the year for the current year is AZN 1,545,181 (2024: AZN 1,666,962).

The Company maintains internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management's authorization and properly recorded, and that accounting records may be relied upon for the preparation of financial statements and other financial information. The system contains self-monitoring mechanisms that allow management to be reasonably confident that controls, as well as the Company's administrative procedures and internal reporting requirements, operate effectively. There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error or the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

  
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**Mr. Ramal Jafaroy**  
(Chief Executive Officer)

  
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**Mr. Elshan Karimov**  
(Chief Accountant)



## **Independent auditor's report**

### **To the Shareholders of MCB Non-banking Credit Organization Closed Joint Stock Company**

#### **Report on the audit of the financial statements**

##### **Opinion**

We have audited the financial statements of MCB Non-banking Credit Organization Closed Joint Stock Company (the "Company"), which comprise the statement of financial position as at December 31, 2025, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

##### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *international Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the Statement of management responsibilities but does not include the financial statements and auditor's report thereon. We obtained the Statement of management responsibilities prior to date of this report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Independent auditor's report**

**To the Shareholders of MCB Non-banking Credit Organization Closed Joint Stock Company**

**Report on the audit of the financial statements (continued)**

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

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

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

## **Independent auditor's report**

**To the Shareholders of MCB Non-banking Credit Organization Closed Joint Stock Company**

**Report on the audit of the financial statements (continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

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

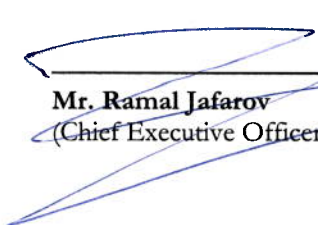



**January 22, 2026**

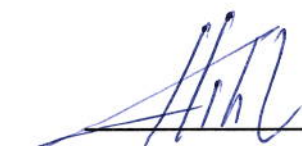
**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Statement of financial position**  
**As at December 31, 2025**

<b>ASSETS</b>	<b>Notes</b>	<b>2025</b> <b>AZN</b>	<b>2024</b> <b>AZN</b>
Cash and cash equivalents	5	138,667	355,500
Net investment in finance leases	6	25,178,441	24,215,315
Loans to customers	7	14,532,560	9,099,040
Loan to a related party	8	19,394	38,332
Property and equipment	9	267,212	210,440
Intangible assets		22,308	-
Right-of-use asset	10	301,467	12,041
Deferred tax asset	11	113,558	19,327
Other assets	12	4,690,529	126,768
<b>Total assets</b>		<b>45,264,136</b>	<b>34,076,763</b>
<b>Liabilities</b>			
Borrowings	13	32,160,332	24,053,931
Lease liability	14	318,542	16,911
Other liabilities	15	2,572,104	1,337,944
<b>Total liabilities</b>		<b>35,050,978</b>	<b>25,408,786</b>
<b>Equity</b>			
Share capital	16	4,283,675	4,283,675
Retained earnings		5,929,483	4,384,302
<b>Total equity</b>		<b>10,213,158</b>	<b>8,667,977</b>
<b>Total equity and liabilities</b>		<b>45,264,136</b>	<b>34,076,763</b>

  
**Mr. Ramal Jafarov**  
 (Chief Executive Officer)



  
**Mr. Elshan Karimov**  
 (Chief Accountant)

The accompanying notes 1 to 26 form an integral part of these financial statements.

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Statement of comprehensive income**  
**For the year ended December 31, 2025**

	Notes	2025 AZN	2024 AZN
Interest income	17	6,666,885	5,160,896
Interest expense	13	(2,971,260)	(2,117,786)
<b>Net interest income</b>		<b>3,695,625</b>	<b>3,043,110</b>
Fee and commission income		643,316	396,963
Charge for impairment loss on financial assets	18	(382,621)	(20,984)
Other income		1,596	64,409
Finance cost on lease liability	14	(41,873)	(7,854)
Personnel expenses	19	(1,374,343)	(983,085)
Administrative and general expenses	20	(680,543)	(404,669)
<b>Profit for the year before tax</b>		<b>1,861,157</b>	<b>2,087,890</b>
Taxation:			
Income tax expense	11	(410,207)	(429,608)
Deferred tax income	11	94,231	8,680
<b>Net profit for the year</b>		<b>1,545,181</b>	<b>1,666,962</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive income for the year</b>		<b>1,545,181</b>	<b>1,666,962</b>

The accompanying notes 1 to 26 form an integral part of these financial statements.

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Statement of changes in equity**  
**For the year ended December 31, 2025**

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	<b>Share capital AZN</b>	<b>Retained earnings AZN</b>	<b>Total equity AZN</b>
Balance at January 1, 2024	4,283,675	2,717,340	7,001,015
Total comprehensive income for the year	-	1,666,962	1,666,962
Balance at December 31, 2024	<u>4,283,675</u>	<u>4,384,302</u>	<u>8,667,977</u>
Total comprehensive income for the year	-	1,545,181	1,545,181
<b>Balance at December 31, 2025</b>	<u><b>4,283,675</b></u>	<u><b>5,929,483</b></u>	<u><b>10,213,158</b></u>

The accompanying notes 1 to 26 form an integral part of these financial statements.

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Statement of cash flows**

**For the year ended December 31, 2025**

	Notes	2025 AZN	2024 AZN
<b>OPERATING ACTIVITIES</b>			
Profit for the year before tax		1,861,157	2,087,890
<i>Adjustments for non-cash and non-operating items:</i>			
Reversal of expected credit loss on cash at banks	5	(55)	(1,545)
Charge for expected credit loss on net investment in finance leases	6	239,706	18,966
Charge for expected credit loss on loans to customers	7	142,970	3,563
Depreciation of property and equipment	9	76,363	55,789
Depreciation of right-of-use asset	10	72,333	72,240
Interest expense on borrowings	13	2,971,260	2,117,786
Finance cost on lease liability	14	41,873	7,854
Amortisation of intangible assets		4,461	-
Gain on disposal of property and equipment		-	(55,447)
		<u>5,410,068</u>	<u>4,307,096</u>
<i>Changes in working capital:</i>			
Net investment in finance leases		(1,202,832)	(3,433,529)
Loans to customers		(5,576,490)	(5,724,893)
Loan to a related party		18,938	26,652
Other assets		(4,563,761)	102,650
Other liabilities		1,434,581	879,095
		<u>(4,479,497)</u>	<u>(3,842,929)</u>
Taxes paid		(610,628)	(371,710)
<b>Net cash used in operating activities</b>		<u>(5,090,125)</u>	<u>(4,214,639)</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	9	(133,135)	(158,190)
Purchase of intangible assets		(26,769)	-
Proceeds from disposal of property and equipment		-	33,400
<b>Net cash used in investing activities</b>		<u>(159,904)</u>	<u>(124,790)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from borrowings	13	25,449,240	18,400,455
Repayments of borrowings and interest	13	(20,314,099)	(13,825,839)
Payment of lease liability	14	(102,000)	(102,000)
<b>Net cash generated from financing activities</b>		<u>5,033,141</u>	<u>4,472,616</u>
Net change in cash and cash equivalents		(216,888)	133,187
<b>Cash and cash equivalents at the beginning of the year</b>		<u>355,555</u>	<u>222,368</u>
<b>Cash and cash equivalents at the end of the year</b>	5	<u>138,667</u>	<u>355,555</u>

The accompanying notes 1 to 26 form an integral part of these financial statements.

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements

#### For the year ended December 31, 2025

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#### **1 Legal status and nature of operations**

MCB Non-banking Credit Organization Closed Joint Stock Company (the “Company”) was incorporated on October 16, 2009 in the Republic of Azerbaijan. The Company is a closed joint stock company limited by shares and was set up in accordance with Azerbaijani regulations. The Company was initially registered under the registration number 1701045991, dated October 15, 2009 at the Ministry of Taxes of the Republic of Azerbaijan. Due to the change in the share capital, the Company was re-registered on March 28, 2014 with the Ministry of Taxation of the Republic of Azerbaijan. The Company’s registered address is 49 B Tbilisi Avenue Baku AZ1065, Republic of Azerbaijan.

The Company’s principal business activity is provision of finance leases within the Republic of Azerbaijan. The Company leases out various types of automotive vehicles, industrial equipment, equipment used in medicine, health care, and for other business needs. In addition, the Company leases out cars and trucks. Further the Company is involved in real estate finance leases. On November 12, 2021, the Central Bank of the Republic of Azerbaijan (CBAR) has issued non-banking credit organization (NBCO) license (BKT-42) to the Company. The Company also grants loans within the Republic of Azerbaijan. The Company is a subsidiary of MCB Bank Limited, which is also the Ultimate Parent Company (the “Parent Company”), a public limited company listed on Pakistan Stock Exchange in Pakistan. These financial statements for the year ended December 31, 2025 (including comparatives) were approved on January 22, 2026.

#### **2 Statement of compliance with IFRS**

These financial statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

#### **3 Standards, interpretations and amendments to existing standards**

##### **3.1 Standards, interpretations and amendments to existing standards that are effective in 2025**

Some accounting pronouncements which have become effective from January 1, 2025 and have therefore been adopted, do not have a significant impact on the Company’s financial results or position.

##### **3.2 Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company**

At the date of authorisation of these financial statements, several new, but not yet effective, Standards and amendments to existing standards, and interpretations have been published by the IASB or IFRIC. None of these standards or amendments to existing standards have been adopted early by the Company and no interpretations have been issued that are applicable and need to be taken into consideration by the Company at either reporting date.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. Except for newly issued IFRS 18, new standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company’s financial statements. Management is currently assessing the impact of IFRS 18 on the Company’s financial statements.

#### **4 Material accounting policies**

##### **4.1 Overall considerations**

These financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below. Further the accounting policies applied in the preparation of the financial statements are consistent with those applied in the annual financial statements for the year ended December,31,2024.

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

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#### 4 Material accounting policies (continued)

##### 4.2 Foreign currency translation

###### Functional and presentation currency

These financial statements are presented in Azerbaijan Manat (AZN), which is also the functional currency of the Company. Financial information presented in AZN is rounded to the nearest manat, except when otherwise stated.

###### Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined. For the purpose of translation of financial assets and financial liabilities denominated in foreign currencies the following year-end exchange rates have been used:

	2025	2024
AZN/1 USD	1.7000	1.7000

##### 4.3 Property and equipment

Property and equipment are initially recognised at acquisition cost or construction cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company's management. These assets are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses (if any). Depreciation on all operating fixed assets is charged using the diminishing balance method except for vehicles, computer and office equipment, which are depreciated using the straight-line method in accordance with the rates below and after taking into account residual value, if any.

The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation of property and equipment is calculated at the estimated following rates:

- Furniture and fixtures 10%
- Computer and office equipment 20%
- Vehicles 20%
- Other fixed assets 20%

Depreciation on additions is charged from the day the assets are available for use while no depreciation is charged in the day in which the assets are disposed off.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within 'other income - net'.

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

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#### **4 Material accounting policies (continued)**

##### **4.4 Right-of-use asset and lease liability**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for the Company for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assess whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physical distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified.
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone process. However, where the contract is not separable into lease and non-lease component then the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is yearly reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

#### For the year ended December 31, 2025

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#### **4 Material accounting policies (continued)**

##### **4.4 Right-of-use asset and lease liability (continued)**

When the lease liability is remeasured in this manner, a corresponding adjustment is made to the carrying amount of the right-of-use asset. The related changes in judgements and estimation uncertainties pertaining to IFRS 16 are given below:

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease payments are discounted using the Company's incremental borrowing rate ("IBR").

##### **4.5 Impairment testing of non-financial assets**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. All individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles, such as market and asset-specific risks factors. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

##### **4.6 Leases as lessor**

###### **Recognition and measurement of lease**

Leases are accounted for in accordance with IFRS 16 "Leases". When assets are leased out under finance lease, the present value of the minimum lease payments is recognised as a receivable. Leases are transferred as finance lease when risk and benefit of ownership are significantly transferred by the lease term to lessee. Other types of leases are classified as operating leases. As per lease, the lessor transfers, in return of payments, the usufruct of an asset to the lessee for a defined period of time that ends with the ownership transferred to lessee. Investment in finance leases is shown at the net present value of finance lease payments less the provision for doubtful receivables (if any). All direct costs of finance lease are shown under the net present value of investment in finance leases. Finance lease payments are divided between interest income and the principal payment so that the finance lease income is allocated over the period of the contract.

###### **Inception of the lease**

The inception of the lease is considered to be the date of the lease agreement, or the date of commitment, if earlier. For purposes of this definition, a commitment shall be in writing, signed by the parties involved in the transaction, and shall specifically set forth the principal terms of the transaction.

###### **Commencement of the lease term**

The commencement of the lease term is the date from which the lessee is entitled to exercise its right to use the leased asset. It is the date of initial recognition of the lease.

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

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#### **4 Material accounting policies (continued)**

##### **4.7 Loans to customers**

'Loans to customers' caption in the year end statement of financial position include loans to customers measured at amortised cost. They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

##### **4.8 Loan to a related party**

Loan to a related party is initially recognized at a fair value. Subsequently, this is measured at amortized cost using the effective interest method and are carried net of any allowance for impairment losses.

##### **4.9 Financial instruments**

###### **Recognition, initial measurement and de-recognition**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

###### **Classification and measurement**

###### **Financial assets**

On initial recognition, a financial asset is classified as measured: at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) or Fair Value through Profit and Loss (FVTPL).

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

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

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

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

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

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

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#### **4 Material accounting policies (continued)**

##### **4.9 Financial instruments (continued)**

###### **Classification and measurement (continued)**

###### **Financial assets (continued)**

###### **Business model assessment:**

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

###### **Assessment whether contractual cash flows are solely payments of principal and profit**

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

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

###### **Reclassifications:**

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

###### **Derecognition:**

Any cumulative gain/loss recognised in OCI in respect of equity investment securities designated as FVOCI is not recognised in profit or loss account on derecognition of such securities.

###### **Impairment**

The Company recognises allowance for impairment for expected credit losses (ECL) on financial assets including at amortised cost.

The Company measures allowance for impairment at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL is measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date.

###### **Measurement of ECL:**

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

#### For the year ended December 31, 2025

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#### **4 Material accounting policies (continued)**

##### **4.9 Financial instruments (continued)**

###### **Credit-impaired financial assets:**

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

###### **Write-off:**

Assets carried at amortised cost and debt securities at FVOCI are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company has exhausted all legal and remedial efforts to recover from the customers. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

###### **Classification and subsequent measurement of financial liabilities**

Financial liabilities comprise borrowings, lease liability and trade payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

All interest-related charges are included within 'interest expenses'.

###### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### **4.10 Cash and cash equivalents**

Cash and cash equivalents are items, which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents in the statement of financial position comprise cash on hand (if any) and cash in banks and are carried at amortised cost using the effective interest method. Further the Company has applied IFRS 9 ECL model to calculate the impairment of cash in banks. For purpose of the statement of cash flows, cash on hand and cash at banks are considered as cash and cash equivalents.

##### **4.11 Equity, reserves and dividend payments**

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior years' profits and losses.

##### **4.12 Employee benefits**

###### **Staff costs and related contributions**

Wages, salaries, contributions to the state pension and social insurance funds in Azerbaijan Republic, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Company.

###### **End of service benefits**

As required by Azerbaijan legislation, the Company withholds amounts of pension contributions from the salaries of employees and pays them to the state pension fund along with its own share of contribution. Upon retirement all retirement benefit payments are made by the state pension fund.

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

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#### **4 Material accounting policies (continued)**

##### **4.13 Other assets**

Other assets are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

##### **4.14 Other liabilities**

Other liabilities are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

##### **4.15 Provisions and contingencies**

Provisions are recognised when present obligations because of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Contingent liabilities are not recognised in the financial statements unless it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

##### **4.16 Revenue recognition**

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for the Company's activities have been met. These activity-specific recognition criteria are described below:

###### **Lease rental income**

Financing method is used in accounting for income from lease financing. Under this method, the unearned lease income (excess of the sum of total lease rentals and estimated residual value over the cost of leased assets) is deferred and taken to income over the term of the lease period so as to produce a constant periodic rate of return on the outstanding net investment in lease.

Gains / losses on termination of lease contracts are recognized as income when these are realized.

###### **Income on loans to customers**

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

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability.

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

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#### **4 Material accounting policies (continued)**

##### **4.16 Revenue recognition (continued)**

###### **Income on loans to customers (continued)**

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

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

Interest income calculated using the effective interest method presented in the statement of comprehensive income includes interest on financial assets measured at amortised cost.

Interest expense presented in the statement of comprehensive income includes interest on financial liabilities measured at amortised cost.

Other fees, commissions and other income and expense items are recognized in profit or loss when the corresponding service is provided.

##### **4.17 Borrowing cost**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in statement of comprehensive income using the effective interest method, and reported in 'interest expense'. Foreign currency gains and losses are reported on a net basis depending on whether foreign currency movements are in a net gain or net loss position.

##### **4.18 Operating expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

##### **4.19 Taxation**

Income tax expense represents current and deferred tax expense/income.

###### **Current taxation**

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's current tax expense is calculated using tax rates that have been enacted or substantively enacted in the Azerbaijan Republic during the reporting period.

###### **Deferred taxation**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

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#### **4 Material accounting policies (continued)**

##### **4.19 Taxation (continued)**

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the statement of financial position if:

- The Company has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The Azerbaijan Republic also has various other taxes, which are assessed on the Company's activities. These taxes are included as a component of operating expenses in the statement of comprehensive income.

##### **4.20 Significant management judgement in applying accounting policies**

The preparation of financial statements requires management to make judgement, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

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

##### **Provisions against lease and loans to customers**

###### **Inputs, assumptions and techniques used for ECL calculation – IFRS - 9 Methodology**

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Company while determining the impact assessment, are:

###### ***Assessment of Significant Increase in Credit Risk:***

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Company's existing risk management processes. The assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on below mentioned factors.

###### ***Assessment of Significant Increase in Credit Risk:***

If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:

1. The Company have established thresholds for significant increases in credit risk relative to initial recognition.
2. Additional qualitative reviews are performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit impaired as at the reporting date. The determination of credit-impairment under IFRS 9 is similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

###### **Macroeconomic Factors, Forward Looking Information (FLI) and Multiple Scenarios:**

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information require significant judgment.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the historical trends and macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Management overlay is also used to align the macroeconomics factors with the current condition of portfolio based on best management estimate and information. The estimation of expected credit losses

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

#### For the year ended December 31, 2025

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#### **4 Material accounting policies (continued)**

##### **4.20 Significant management judgement in applying accounting policies (continued)**

###### **Provision against lease and loans to customers (continued)**

in Stage 1 and Stage 2 is a discounted probability weighted estimate that considers a minimum of three future macroeconomic scenarios.

###### **Definition of default:**

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages is consistent with the definition of default used for internal credit risk management purposes. IFRS 9 contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due. Management has also adopted the IFRS 9 assumption and has considered 90 days past due receivables as an indicator of default.

###### **Governance:**

In addition to the existing risk management framework, the Company has established an internal Committee to provide oversight to the IFRS 9 impairment process. The Committee is comprised of senior representatives from Finance, Risk Management and Economics and is responsible for reviewing and approving key inputs and assumptions used in our expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in the financial statements.

###### **CBAR regulations – “Regulation on prudent management of non-bank credit institutions”**

On 15 November 2024, the Central Bank of the Republic of Azerbaijan (CBAR) issued the Regulation on Prudent Management of Non-Bank Credit Institutions, which became effective three months from the date of issuance. Under these regulations, Non-Bank Credit Organizations (NBCOs) are required to determine loan and lease provisions based on time-based asset classification criteria and recognize in the financial statements the higher of the provision calculated in accordance with CBAR requirements or the entity's internal expected credit loss (ECL) model.

Management has implemented the requirements of the new regulation with effect from 1 February 2025. Accordingly, the provision recognized in these financial statements reflects the CBAR-prescribed provision, as it exceeds the provision calculated under the Company's internal methodology.

###### **Leases**

In applying the classification of leases in IFRS 16, as a lessor, the management considers its leases as finance lease arrangements and as a lessee, the management considers its leases as operating lease. In some cases, the lease transaction is not always conclusive, and management uses judgment in determining whether the lease is an operating lease arrangement.

###### **Recognition of deferred tax assets**

The extent to which deferred tax liability can be recognised is based on an assessment of the probability of the Company's future taxable expenses against which the deductible temporary differences can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties.

##### **4.21 Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may substantially differ.

###### **Impairment of non-financial assets**

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

#### 4 Material accounting policies (continued)

##### 4.21 Estimation uncertainty (continued)

###### Provisions

Provisions are raised based on management's estimates from information available surrounding particular transactions. Prudence is exercised when estimating provisions so as not to materially overstate the Company's reported net income and understates its liabilities.

###### Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utilisation of the assets to the Company. The carrying amounts are analysed in note 9. Actual results, however, may vary due to technical obsolescence, particularly relating to computers and office equipment.

###### Right of use assets and lease liability

Right of use assets and lease liability have been recorded as per IFRS 16 "Leases". Management believes that the lease period used for calculation is based on facts and likely to conclude, as per contract. The interest rate estimation is also as per Company's own borrowing portfolio and is market based. The carrying amounts of right-of-use asset analysed in note 10.

#### 5 Cash and cash equivalents

	2025	2024
	AZN	AZN
Current accounts with banks in local currency	137,301	354,731
Current accounts with banks in foreign currency	1,366	824
	<u>138,667</u>	<u>355,555</u>
Less: allowance for impairment loss (Expected credit loss)	-	(55)
	<u>138,667</u>	<u>355,500</u>

The following table shows reconciliations of the allowance for impairment loss as per IFRS 9: "Financial instruments".

	2025	2024
	AZN	AZN
Balance at January 1,	55	1,600
Reversal of impairment loss for the year (note 18)	(55)	(1,545)
Balance at December 31,	<u>-</u>	<u>55</u>

Cash and cash equivalents for purpose of the statement of cash flows are given below.

	2025	2024
	AZN	AZN
Current accounts with banks in local currency	137,301	354,731
Current accounts with banks in foreign currency	1,366	824
	<u>138,667</u>	<u>355,555</u>

#### 6 Net investment in finance leases

	2025	2024
	AZN	AZN
Net investment in finance leases	25,453,066	24,250,234
Less: allowance for impairment loss on net investment in finance leases	(274,625)	(34,919)
Net investment in finance leases, net of impairment loss	<u>25,178,441</u>	<u>24,215,315</u>

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended December 31, 2025**

**6 Net investment in finance leases (continued)**

As at December 31, 2025, the interest rates on net investment in finance leases ranged from 18% to 24% (2024: 5% to 26%) per annum. Accrued interest income amounted to AZN 170,196 as at December 31, 2025 (2024: AZN 152,240). During the year, the additions to investment in finance lease amounted to AZN 17,083,754 (2024: AZN 17,048,190) to ultimate customers under finance lease arrangements.

Leases were granted to customers within the Republic of Azerbaijan. The collaterals against net investment in finance lease are underlying assets given to lessees. The following table shows reconciliations of the allowance for impairment loss of net investment in finance lease as per IFRS 9: "Financial instruments".

	2025	2024
	AZN	AZN
Balance at January 1,	34,919	15,953
Charge for the year (note 18)	239,706	18,966
Balance at December 31,	<u>274,625</u>	<u>34,919</u>

The movement in the expected credit loss (ECL) for net investment in finance leases as at December 31, 2025 is as follows.

	Stage 1	Stage 2	Stage 3	Total
	AZN	AZN	AZN	AZN
<b>ECL allowance</b>				
Balance as at January 1, 2025	34,091	828	-	34,919
Net remeasurement of loss allowance	230,262	1,546	7,898	239,706
<b>Closing as at December 31, 2025</b>	<u>264,353</u>	<u>2,374</u>	<u>7,898</u>	<u>274,625</u>

The movement in the expected credit loss (ECL) for net investment in finance leases as at December 31, 2024 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	AZN	AZN	AZN	AZN
<b>ECL allowance</b>				
Balance as at January 1, 2024	15,125	828	-	15,953
Net remeasurement of loss allowance	18,966	-	-	18,966
<b>Closing as at December 31, 2024</b>	<u>34,091</u>	<u>828</u>	<u>-</u>	<u>34,919</u>

The net investment in finance leases and expected credit loss as at December 31, 2025 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	AZN	AZN	AZN	AZN
<b>Net investment in finance leases</b>				
Not overdue	18,126,068	-	-	18,126,068
Overdue less than 30 days	7,180,811	-	-	7,180,811
Overdue 30-90 days	-	114,594	-	114,594
Overdue 91-180 days	-	-	31,593	31,593
Overdue 181-360 days	-	-	-	-
Overdue more than 360 days	-	-	-	-
<b>Total</b>	<u>25,306,879</u>	<u>114,594</u>	<u>31,593</u>	<u>25,453,066</u>
Less: Expected credit loss (ECL)	<u>(264,353)</u>	<u>(2,374)</u>	<u>(7,898)</u>	<u>(274,625)</u>
<b>Net investment in finance leases, net</b>	<u>25,042,526</u>	<u>112,220</u>	<u>23,695</u>	<u>25,178,441</u>

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended December 31, 2025**

**6 Net investment in finance leases (continued)**

The net investment in finance leases and expected credit loss as at December 31, 2024 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	AZN	AZN	AZN	AZN
Net investment in finance leases				
Not overdue	22,765,516	3,672	-	22,769,188
Overdue less than 30 days	1,481,046	-	-	1,481,046
Overdue 30-90 days	-	-	-	-
Overdue 91-180 days	-	-	-	-
Overdue 181-360 days	-	-	-	-
Overdue more than 360 days	-	-	-	-
<b>Total</b>	<b>24,246,562</b>	<b>3,672</b>	<b>-</b>	<b>24,250,234</b>
Less: Expected credit loss (ECL)	(34,091)	(828)	-	(34,919)
<b>Net investment in finance leases, net</b>	<b>24,212,471</b>	<b>2,844</b>	<b>-</b>	<b>24,215,315</b>

	2025			Total
	AZN			
	Not later than one year	Later than one and less than five years	Over five years	
<b>Lease rentals receivable</b>	<b>11,821,144</b>	<b>13,357,297</b>	<b>-</b>	<b>25,178,441</b>
Minimum lease payments	15,986,593	15,379,584	-	31,366,177
Finance charges for future periods	(3,890,824)	(2,022,287)	-	(5,913,111)
Less: allowance for impairment loss of net investment in finance lease	(274,625)	-	-	(274,625)
<b>Present value of minimum lease payments</b>	<b>11,821,144</b>	<b>13,357,297</b>	<b>-</b>	<b>25,178,441</b>

	2024			Total
	AZN			
	Not later than one year	Later than one and less than five years	Over five years	
Lease rental receivable	12,028,429	12,186,886	-	24,215,315
Minimum lease payments	15,390,699	14,105,106	-	29,495,805
Finance charges for future periods	(3,327,351)	(1,918,220)	-	(5,245,571)
Less: allowance for impairment loss of net investment in finance lease	(34,919)	-	-	(34,919)
<b>Present value of minimum lease payments</b>	<b>12,028,429</b>	<b>12,186,886</b>	<b>-</b>	<b>24,215,315</b>

**7 Loans to customers**

	2025	2024
	AZN	AZN
Loans to corporates	10,061,362	7,156,515
Loans to individuals	4,620,445	1,948,803
<b>Loans to customers, gross</b>	<b>14,681,808</b>	<b>9,105,318</b>
Less: Provision for impairment loss (ECL)	(149,248)	(6,278)
<b>Loans to customers, net</b>	<b>14,532,560</b>	<b>9,099,040</b>

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended December 31, 2025**

**7 Loans to customers (continued)**

Accrued interest income included in loans to customers amounted to AZN 82,122 as at December 31, 2025 (2024: AZN 54,711).

Loans to customers were issued to customers within the Republic of Azerbaijan.

As at December 31, 2025, the interest rates on loans to customers ranged from 5% to 24% (2024: 9% to 23%) per annum.

The movement in the expected credit loss (ECL) for loan to customers as at December 31, 2025 is as follows.

	Stage 1	Stage 2	Stage 3	Total
	AZN	AZN	AZN	AZN
<b>ECL allowance</b>				
Balance as at January 1, 2025	6,278	-	-	6,278
Net remeasurement of loss allowance	142,970	-	-	142,970
<b>Closing as at December 31, 2025</b>	<b>149,248</b>	<b>-</b>	<b>-</b>	<b>149,248</b>

The movement in the expected credit loss (ECL) for loan to customers as at December 31, 2024 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	AZN	AZN	AZN	AZN
<b>ECL allowance</b>				
Balance as at January 1, 2024	2,715	-	-	2,715
Net remeasurement of loss allowance	3,563	-	-	3,563
<b>Closing as at December 31, 2024</b>	<b>6,278</b>	<b>-</b>	<b>-</b>	<b>6,278</b>

The loans to customers and expected credit loss as at December 31, 2025 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	AZN	AZN	AZN	AZN
<b>Loans to customers at amortised cost</b>				
Not overdue	12,841,182	-	-	12,841,182
Overdue less than 30 days	1,840,625	-	-	1,840,625
Overdue 30-90 days	-	-	-	-
Overdue 91-180 days	-	-	-	-
Overdue 181-360 days	-	-	-	-
Overdue more than 360 days	-	-	-	-
<b>Total</b>	<b>14,681,808</b>	<b>-</b>	<b>-</b>	<b>14,681,808</b>
Less: Expected credit loss (ECL)	(149,248)	-	-	(149,248)
<b>Loans to customers, net</b>	<b>14,532,560</b>	<b>-</b>	<b>-</b>	<b>14,532,560</b>

The loans to customers and expected credit loss as at December 31, 2024 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	AZN	AZN	AZN	AZN
<b>Loans to customers at amortised cost</b>				
Not overdue	9,092,076	-	-	9,092,076
Overdue less than 30 days	13,242	-	-	13,242
Overdue 30-90 days	-	-	-	-
Overdue 91-180 days	-	-	-	-
Overdue 181-360 days	-	-	-	-
Overdue more than 360 days	-	-	-	-
<b>Total</b>	<b>9,105,318</b>	<b>-</b>	<b>-</b>	<b>9,105,318</b>
Less: Expected credit loss (ECL)	(6,278)	-	-	(6,278)
<b>Loans to customers, net</b>	<b>9,099,040</b>	<b>-</b>	<b>-</b>	<b>9,099,040</b>

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

#### 8 Related parties

The Company in the normal course of business carries on business with other enterprises that fall within the definition of a related party contained in IFRS. These transactions are carried out in normal course of the business and are measured at exchange amounts, being the amounts agreed by both parties. The Company's related parties include its key management personnel, Ultimate Parent Company and entities under common control as described below.

#### Loan to a related party

	2025	2024
	AZN	AZN
Loan to a related party – Key management personnel	<u>19,394</u>	<u>38,332</u>
Non-current portion	-	8,150
Current portion	<u>19,394</u>	<u>30,182</u>
<b>Total</b>	<u><b>19,394</b></u>	<u><b>38,332</b></u>

On March 13, 2020 and September 25, 2025, the Company sanctioned a loan amounting to AZN 140,000 and AZN 22,000 to Chief Executive Officer of the Company at 12.5% and 18% interest rate per annum. The interest is paid on monthly basis. Repayment of the principal amount started in monthly instalment from April 30, 2020 and October 25 with final payment due on March 30, 2026 and March 25, 2026.

#### Balances with related parties

<b>Nature</b>	<b>Relationship</b>	2025	2024
		AZN	AZN
Cash and cash equivalents	Branch of Parent Company	1,366	824
Loan to employee	Key management personnel	19,394	38,332
Borrowings including accrued interest	Branch of Parent Company	<u>3,444,014</u>	<u>3,445,355</u>

Details of related party transactions entered during the year and balances at year end are set out below:

#### Transactions with related parties

<b>Nature</b>	<b>Relationship</b>	2025	2024
		AZN	AZN
Short-term employee benefits	Key management personnel	837,737	612,651
Interest income from loan to employee	Key management personnel	3,960	6,630
Interest expense on borrowings	Branch of Parent Company	<u>382,566</u>	<u>417,732</u>

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
Financial Statements

**Notes to the financial statements (continued)**  
For the year ended December 31, 2025

**9 Property and equipment**

2025	Office and computer equipment AZN	Motor vehicles AZN	Furniture fixture and others AZN	Other fixed assets AZN	Total AZN
<b>Gross carrying amount</b>					
Balance at January 1,	96,890	230,400	79,709	32,881	439,880
Additions	98,613	33,814	708	-	133,135
Balance at December 31,	<b>195,503</b>	<b>264,214</b>	<b>80,417</b>	<b>32,881</b>	<b>573,015</b>
<b>Accumulated depreciation</b>					
Balance at January 1,	70,654	68,384	58,742	31,660	229,440
Charge for the year (note 20)	12,014	52,279	10,849	1,221	76,363
Balance at December 31,	<b>82,668</b>	<b>120,663</b>	<b>69,591</b>	<b>32,881</b>	<b>305,803</b>
<b>Net carrying amount at December 31, 2025</b>	<b>112,835</b>	<b>143,551</b>	<b>10,826</b>	<b>-</b>	<b>267,212</b>

In the opinion of management, there has been no impairment in the carrying value of the Company's property and equipment as at December 31, 2025 (2024: Nil).

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
Financial Statements

**Notes to the financial statements (continued)**  
For the year ended December 31, 2025

**9 Property and equipment (continued)**

2024	Office and computer equipment AZN	Motor vehicles AZN	Furniture fixture and others AZN	Other fixed assets AZN	Total AZN
Gross carrying amount					
Balance at January 1,	97,286	149,418	76,123	32,881	355,708
Additions	12,604	142,000	3,586	-	158,190
Disposal/write off	(13,000)	(61,018)	-	-	(74,018)
Balance at December 31,	96,890	230,400	79,709	32,881	439,880
Accumulated depreciation					
Balance at January 1,	75,039	78,948	56,426	30,703	241,116
Charge for the year (note 20)	8,615	43,901	2,316	957	55,789
Disposal/write off	(13,000)	(54,465)	-	-	(67,465)
Balance at December 31,	70,654	68,384	58,742	31,660	229,440
Net carrying amount at December 31, 2024	26,236	162,016	20,967	1,221	210,440

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended December 31, 2025**

**10 Right-of-use asset**

The Company has obtained office building on rent and has recorded lease liability and right-of-use asset as per IFRS 16 'Leases'.

	2025	2024
	AZN	AZN
Balance at January 1,	454,614	454,614
Additions	361,758	-
Write off	(454,614)	-
Balance at December 31,	<u>361,758</u>	454,614
Balance at January 1,	442,573	370,333
Charge for the year (note 20)	72,333	72,240
Write off	(454,614)	-
Balance at December 31,	<u>60,292</u>	442,573
Net carrying amount at December 31,	<u>301,467</u>	12,041

**11 Taxation**

**Income tax expense**

During the years ended December 31, 2025 and December 31, 2024, the corporate profit tax rate in Azerbaijan was equal to 20%. The tax rate is expected to remain the same in the following fiscal year.

	2025	2024
	AZN	AZN
Profit for the year before tax	1,861,157	2,087,890
Domestic effective tax rate	20%	20%
Expected tax expense	372,231	417,578
Adjustments for:		
Tax effect of non-deductible expense/ exempt income	37,976	12,030
Income tax expense	410,207	429,608
Tax effect of temporary differences	(94,231)	(8,680)
Actual income tax expense	<u>315,976</u>	420,928
	2025	2024
	AZN	AZN
Income tax expense	410,207	429,608
Deferred tax expense/( income)	(94,231)	(8,680)
	<u>315,976</u>	420,928

**Deferred tax**

Deferred tax asset is measured at 20% (2024: 20%). The recoverability of deferred tax asset is dependent on future taxable profits. Deferred taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The movement in deferred tax asset recognised by the Company is as follows:

	2025	2024
	AZN	AZN
Balance at January 1,	19,327	10,647
Recognized during the year	94,231	8,680
Balance at December 31,	<u>113,558</u>	19,327

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended December 31, 2025**

**11 Taxation (continued)**

The deferred tax assets as at reporting date is as follows:

	2025	2024
	AZN	AZN
Deductible temporary differences	567,788	96,629
<b>Total deductible temporary differences</b>	<b>567,788</b>	<b>96,629</b>

<b>Deferred tax asset at the statutory tax rate (20%)</b>	<b>113,558</b>	<b>19,327</b>
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Deferred income tax assets and liabilities as at December 31 and their movements for the respective years comprise:

	Balance at January 1, 2024	Recognized in profit or loss	Balance at December 31, 2024	Recognized in profit or loss	Balance at December 31, 2025
Cash and cash equivalents	320	(309)	11	(11)	-
Net investment in finance lease	3,191	3,793	6,984	40,944	47,928
Loan to customers	7,472	10,576	18,048	50,779	68,827
Property and equipment	(6,864)	(882)	(7,746)	(173)	(7,919)
Intangible asset	1,173	(117)	1,056	251	1,307
Right-of-use asset	(16,856)	14,448	(2,408)	(57,885)	(60,293)
Lease liability	22,211	(18,829)	3,382	60,326	63,708
	<u>10,647</u>	<u>8,680</u>	<u>19,327</u>	<u>94,231</u>	<u>113,558</u>

**12 Other assets**

	2025	2024
	AZN	AZN
<b>Financial assets</b>		
Other receivables	858,914	57,420
	<u>858,914</u>	<u>57,420</u>
<b>Non-financial assets</b>		
Advance taxes	281,077	-
Prepayments and advances	3,550,538	69,348
	<u>3,831,615</u>	<u>69,348</u>
Balance at December 31,	<u>4,690,529</u>	<u>126,768</u>

**13 Borrowings**

Borrowings include the following financial liabilities:

	2025	2024
	AZN	AZN
<b>Financial liabilities measured at amortised cost:</b>		
Branch of the Parent Company - note (a)	3,444,014	3,445,355
Governmental agency (AKIA) note (b)	1,875,361	1,749,660
Governmental agency (ABIF) note (c)	5,325,982	2,281,930
Local banks note (d)	21,514,975	16,576,986
<b>Total</b>	<b>32,160,332</b>	<b>24,053,931</b>

The interest expense for the year is AZN 2,971,260 (2024: AZN 2,117,786). The accrued interest as at December 31, 2025 is AZN 163,803 (2024: AZN 122,683).

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

#### 13 Borrowings (continued)

- a- On October 31, 2017 the Company entered into a loan agreement with the Branch of the Parent Company for a total amount of USD 2,000,000 at 3 month's LIBOR + 5.50% interest rate per annum plus the interest calculated will be grossed up for the applicable withholding tax applicable in the Republic of Azerbaijan to reach the total interest amount. The interest is paid on quarterly basis. The principal amount of loan was payable on November 7, 2019 which was extended till November 7, 2022 and in 2022 it was extended till November 7, 2025 and in 2025 it was further extended till November 7 2028.
- b- On March 5, 2020 the Company entered into loan agreement with Agrarian Credit and Development Agency (ACDA) under the Ministry of Agriculture. Agrarian Credit and Development Agency (ACDA) is also known as AKIA. This agreement is to facilitate customers in agriculture activities. The customer provides 20% of asset's value as advance payment to the Company. The ACDA provides subsidy, which is 40% of custom value, the benefit of this amount is passed on to the customer. The remaining amount is also given as loan to the Company by ACDA. The Company buys assets, and these assets are leased out to the customers. The Company recovers this principal amount from customer and pays back to Agrarian Credit and Development Agency. Under this arrangement, the lessee is charged 7% interest rate per annum for the lease and the Company is liable to pay 2% interest per annum to AKIA, however, the interest to be paid by the lessee is also borne by AKIA, therefore the net interest income of 5% per annum is recorded by the Company.
- c- On July 17, 2023 the Company entered into loan agreement with Azerbaijan Business Development Fund (ABIF) (Previous name Entrepreneurship Development Funds under the Ministry of Economy. Entrepreneurship Development Fund (EDF) is also known as SIF). Under the agreement with the Company, the SIF has provided loans to the Company at fixed interest rate of 1-2% per annum and the Company has provided the loans to customers at fixed interest rate of 5-9% per annum. These loans will be repaid fully till June 27, 2028. Further company has entered into several loan agreements again in December 2025 which will be fully repaid till December 2030.
- d- The Company has entered into various credit line agreements as below:
- Arrangement from a local bank equivalent to AZN 2,000,000. An amount of AZN 1,918,517 is outstanding as at year end. The interest rate ranging from 12.25%-15% per annum. These loans will be repaid fully till December 2027. The lease assets equivalent to 150% of loan outstanding and future interest are pledged against these loans.
  - The Company entered into various loan tranches agreement with a local bank. The outstanding principal amount as at year end is AZN 17,066,385. The interest rate ranging from 12%-15% per annum. These loans will be repaid fully till December 2027. The lease assets equivalent to 110%-120% of loan outstanding are pledged against these loans.
  - The Company entered into two loan agreements with a local bank equivalent of AZN 1,500,000 and AZN 1,700,000. An amount of AZN 2,530,072 is outstanding as at year end. The interest rate is 14%-15% per annum. These loans will be repaid fully till September 2027. The lease assets equivalent to 150% of loan outstanding and future interest are pledged against these loans.

There are various covenants set by the financial institutions and as per management these covenants were met.

Movement in borrowings is as follows:

	2025	2024
	AZN	AZN
Balance at January 1,	24,053,931	17,361,529
Interest expense for the year	2,971,260	2,117,786
Proceeds from new borrowings	25,449,240	18,400,455
Repayment of borrowings	(20,314,099)	(13,825,839)
Balance at December 31,	<u>32,160,332</u>	<u>24,053,931</u>

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended December 31, 2025**

**14 Lease liability**

The Company has obtained office building on rent and has recorded lease liability and right-of-use asset as per IFRS 16 'Leases'.

	2025 AZN	2024 AZN
<b>Non-current</b>		
Lease liability	259,070	-
	<u>259,070</u>	<u>-</u>
<b>Current</b>		
Lease liability	59,472	16,911
	<u>59,472</u>	<u>16,911</u>
<b>Total lease liability</b>	<u><u>318,542</u></u>	<u><u>16,911</u></u>

	Within 1 year AZN	1-2 year AZN	2-5 Years AZN	Total AZN
<b>December 31, 2025</b>				
Lease payments	102,000	102,000	221,000	425,000
Finance charges	(42,528)	(32,967)	(30,963)	(106,458)
<b>Net present value</b>	<u>59,472</u>	<u>69,033</u>	<u>190,037</u>	<u>318,542</u>
	Within 1 year AZN	1-2 year AZN	2-5 Years AZN	Total AZN
<b>December 31, 2024</b>				
Lease payments	17,000	-	-	17,000
Finance charges	(89)	-	-	(89)
<b>Net present value</b>	<u>16,911</u>	<u>-</u>	<u>-</u>	<u>16,911</u>

Movement in lease liability is as follows:

	2025 AZN	2024 AZN
Balance at January 1,	16,911	111,057
Additions	361,760	-
Interest expense for the year	41,873	7,854
Payment of borrowings	(102,000)	(102,000)
<b>Balance at December 31,</b>	<u><u>318,544</u></u>	<u><u>16,911</u></u>

**15 Other liabilities**

	2025 AZN	2024 AZN
<b>Financial liabilities</b>		
Trade payables	2,144,881	1,137,523
	<u>2,144,881</u>	<u>1,137,523</u>
<b>Non-financial liabilities</b>		
Tax liabilities	427,223	200,421
	<u>427,223</u>	<u>200,450</u>
<b>Balance at December 31,</b>	<u><u>2,572,104</u></u>	<u><u>1,337,944</u></u>

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended December 31, 2025**

**16 Share capital**

The Company's authorized, issued and fully paid-up share capital as at December 31, 2025 amounted to AZN 4,283,675 (December 31, 2024: AZN 4,283,675) and comprised of 4,283,675 (December 31, 2024: 4,283,675) ordinary shares with a par value of AZN 1 (December 31, 2024: AZN 1) each. The Company's issued share capital is held by the following shareholders:

	2025	2024	2025	2024
	%	%	AZN	AZN
MCB Bank Limited	99.94	99.94	4,281,105	4,281,105
Mr. Ramal Jafarov (Individual person)	0.06	0.06	2,570	2,570
	<b>100.00</b>	<b>100.00</b>	<b>4,283,675</b>	<b>4,283,675</b>

**17 Interest income**

	2025	2024
	AZN	AZN
Interest income on net investment in finance lease	4,697,250	4,164,921
Interest income on loans to customers	1,969,635	995,975
	<b>6,666,885</b>	<b>5,160,896</b>

**18 Net (charge)/reversal of impairment loss on financial assets**

	2025	2024
	AZN	AZN
Charge for impairment loss on net investment in finance lease (note 6)	239,706	18,966
Charge for impairment loss on loans to customers (note 7)	142,970	3,563
Reversal of impairment loss on cash at banks (note 5)	(55)	(1,545)
	<b>382,621</b>	<b>20,984</b>

**19 Personnel expenses**

	2025	2024
	AZN	AZN
Salaries & other benefits	1,159,489	828,829
Social security costs	199,916	130,982
Staff medical and compulsory insurance and others	14,938	23,274
	<b>1,374,343</b>	<b>983,085</b>

**20 Administrative and general expenses**

	2025	2024
	AZN	AZN
Bank charges	301,553	98,677
Depreciation of right-of-use asset (note 10)	72,334	72,240
Depreciation of property and equipment (note 9)	76,362	55,789
Professional services fees	49,471	36,234
Security expenses	28,320	23,789
Vehicle running costs	22,324	19,049
Communication expenses	12,950	11,136
Utilities	10,659	10,549
Marketing expenses	11,139	9,606

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

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#### 20 Administrative and general expenses (continued)

Insurance expense	9,665	8,504
Office supplies	13,110	6,593
State legal fees	6,445	4,284
Taxes other than income tax	2,038	1,301
Amortisation expense	4,462	-
Other expenses	59,712	46,918
	<u>680,543</u>	<u>404,669</u>

#### 21 Commitments, contingencies and operation risk

##### Lease commitments

The Company has no major outstanding lease commitments as at December 31, 2025 (2024: Nil).

##### Capital commitments

The Company has no major capital commitments as at December 31, 2025 (2024: Nil).

##### Contingent liabilities

###### *Legal proceedings*

From time to time and in the normal course of business, the Company receives claims against it. On the basis of its own estimates and internal professional advice the Company's management is of the opinion that no material losses will be incurred in respect of claims and, accordingly, no provision has been made in these financial statements. There is no case against the Company as at December 31, 2025.

#### 21 Commitments, contingencies and operation risk (continued)

##### Business environment and regulatory environment

The Company's main operations are conducted in the Azerbaijan Republic. Azerbaijan continues economic reforms and development of its legal, tax, and regulatory framework to strengthen and diversify the economy. In this respect, Azerbaijan endorsed strategic road maps for development of national economy and main economic sectors in 2016. Legislation including tax, currency fluctuation and customs legislations within the Azerbaijan Republic is changing rapidly. The future economic direction of the Azerbaijan Republic is largely dependent upon the implementation of economic, financial, legislative and monetary measures undertaken by the government. The Company's financial position will continue to be affected by developments in Azerbaijan, however; the Company does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in the Azerbaijan Republic. The Company's management is closely watching these developments in current environment and taking appropriate necessary actions to support the sustainability and development of Company's business in foreseeable future. These financial statements do not include any adjustments that may result from the future clarification of these uncertainties. Such adjustments, if any, will be reported in the period when they become known and estimable.

Commercial legislation of the Republic of Azerbaijan, including tax legislation, may allow more than one interpretations. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a treatment, based on management's judgment of the Company's business activities, was to be challenged by the tax authorities, the Company may be assessed for additional taxes, penalties and interest. Generally, taxpayers are subject to tax audits with respect to three calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates. Management believes that its interpretation of the relevant legislation as at December 31, 2025 is appropriate and that the Company's tax, and currency positions will be sustained.

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

#### 22 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities:

	Notes	2025 AZN	2024 AZN
<b>Financial assets</b>			
<b>Financial assets measured at amortised cost:</b>			
Cash and cash equivalents	5	138,667	355,500
Net investment in finance lease	6	25,178,441	24,215,315
Loans to customers	7	14,532,560	9,099,040
Loan to a related party	8	19,394	38,332
Other assets	12	858,914	57,420
		<u>40,727,976</u>	<u>33,765,607</u>
<b>Financial liabilities</b>			
<b>Financial liabilities measured at amortised cost:</b>			
Borrowings	13	32,160,332	24,053,931
Lease liability	14	318,542	16,911
Other liabilities	15	2,144,881	1,137,494
		<u>34,623,755</u>	<u>25,208,336</u>

See note 4.9 for a description of the accounting policies for each category of financial instruments. A description of the Company's financial instrument risk, including risk management objectives and policies is given in note 23. Information relating to fair values is presented in note 24.

#### 23 Financial instrument risk

##### Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarised in note 22. The main types of risks are market risk, credit risk and liquidity risk. The Company's risk management is coordinated in close cooperation with the Company's directors and focuses on actively securing the Company's short to medium term cash flows by minimizing the potential adverse effects on the Company's performance through internal risk reports which analyse by degree and magnitude of risks. The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed are given below.

##### Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company is exposed to market risk through its use of financial instruments and specifically to currency risk and interest rate risk, which result from both its operating and investing activities.

##### Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Most of the Company's transactions are carried out in AZN. Exposures to currency exchange rates arise from the Company's overseas transactions, bank accounts and borrowings in foreign currencies, which are primarily denominated in US Dollar (USD). Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Most of the Company's transactions are carried out in AZN. Exposures to currency exchange rates arise from the

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended December 31, 2025**

**23 Financial instrument risk (continued)**

**Foreign currency risk (continued)**

Company's overseas transactions, bank accounts and borrowings in foreign currencies, which are primarily denominated in US Dollar (USD). Management of the Company does not enter future agreement to hedge its currency risk as USD to AZN is a stable conversion rate. However, these are monitored on regular basis and corrective measures initiated wherever required. Financial assets and financial liabilities are denominated in the following currencies:

	Notes	2025		
		AZN	USD	Total
<b>Financial assets:</b>				
Cash and cash equivalents	5	137,301	1,366	138,667
Net investment in finance lease	6	25,178,441	-	25,178,441
Loan to customers	7	14,532,560	-	14,532,560
Loan to a related party	8	19,394	-	19,394
Other assets	12	858,914	-	858,914
		<u>40,726,610</u>	<u>1,366</u>	<u>40,727,976</u>
<b>Financial liabilities:</b>				
Borrowings	13	28,716,318	3,444,014	32,160,332
Lease liability	14	318,542	-	318,542
Other liabilities	15	2,144,881	-	2,144,881
		<u>31,179,741</u>	<u>3,444,014</u>	<u>34,623,755</u>
<b>Open position</b>		<u>9,546,869</u>	<u>(3,442,648)</u>	<u>6,104,221</u>
	Notes	2024		
		AZN	USD	Total
<b>Financial assets:</b>				
Cash and cash equivalents	5	354,676	824	355,500
Net investment in finance lease	6	24,215,315	-	24,215,315
Loans to customers	7	9,099,040	-	9,099,040
Loan to a related party	8	38,332	-	38,332
Other assets	12	57,420	-	57,420
		<u>33,764,783</u>	<u>824</u>	<u>33,765,607</u>
<b>Financial liabilities:</b>				
Borrowings	13	20,608,576	3,445,355	24,053,931
Lease liability	14	16,911	-	16,911
Other liabilities	15	960,694	176,800	1,137,494
		<u>21,586,181</u>	<u>3,622,155</u>	<u>25,208,336</u>
<b>Open position</b>		<u>12,178,602</u>	<u>(3,621,331)</u>	<u>8,557,271</u>

The following table illustrates the sensitivity of profit/ (loss) before tax and equity in regard to the exchange rate of the AZN relative to the USD. It assumes a 10% weakening/strengthening of the AZN as at December 31, 2025 (2024: weakening/strengthening 10%). The sensitivity analysis at each reporting date is as follows:

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended December 31, 2025**

**23 Financial instrument risk (continued)**

**Foreign currency risk (continued)**

	Profit/(loss) before tax		Equity	
	2025	2024	2025	2024
	AZN	AZN	AZN	AZN
AZN weakening 10% / 10%	(344,265)	(362,133)	(275,412)	(289,706)
AZN strengthening 10% / 10%	344,265	362,133	275,412	289,706

**Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Leases are generally granted at a rate of interest fixed for the duration of the lease and the majority of borrowings are at variable interest rates. Management of the Company does not enter future agreement to hedge its interest rate risk. However, these are monitored on regular basis and corrective measures initiated wherever required. Borrowings on floating interest rates are as follows:

	2025	2024
	AZN	AZN
Borrowings	3,400,000	3,400,000

The following table illustrates the sensitivity of variable rate borrowings to a reasonably possible change in interest rates of  $\pm 1\%$  (2024:  $\pm 1\%$ ). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables held constant.

	Profit/(loss) before tax		Equity	
	AZN	AZN	AZN	AZN
	+1%	-1%	+1%	-1%
2025	34,000	34,000	27,200	27,200
2024	34,000	34,000	27,200	27,200

**Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to this risk for various financial instruments, for example by granting credit terms to customers. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2025	2024
	AZN	AZN
<b>Classes of financial assets - carrying amounts:</b>		
Cash and cash equivalents (note 5)	138,667	355,500
Net investment in finance lease (note 6)	25,178,441	24,215,315
Loan to customers (note 7)	14,532,560	9,099,040
Loan to a related party (note 8)	19,394	38,332
Other assets (note 12)	858,914	57,420
<b>Total carrying amount</b>	<b>40,727,976</b>	<b>33,765,607</b>

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

#### 23 Financial instrument risk (continued)

##### Credit risk (continued)

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. The Company's policy is to deal only with creditworthy counterparties. To manage its risk exposure, the Company places its cash with reputable banks.

The Credit Policy of the Company, which was approved by the Management and Supervisory Board, sets forth principles and rules of financial leasing activity, as well as establishing main indicators of procedures with regard to the activity, mitigating the Company's risks, determining profitability and serving as guidance for all employees while they perform their duties. The Company has offset the balances pertaining to subsidy receivable from AKIA against the related trade payables amounting to AZN 343,600 since the Company is acting as a clearing agent in respect of these balances.

There are certain limits set for the lease portfolio in order to ensure its diversification and minimization of possible credit risks. These limits are, as follows:

- Limits for business portfolio;
- Limits by sectors of economy; and
- Concentration limits

The limits are developed and revised by the management on an annual basis. In case of significant change in the market environment, the limits may also be reviewed. A proposal for limits change is provided firstly to the Credit Committee and next to the Management Board for approval and then it is approved by Supervisory Board. The Leasing Operations department controls maintenance of all limits on a regular basis and some of them (maximum exposure to a single borrower or group of related borrowers, maximum exposure to related parties) are controlled before new lease issue. The Credit Policy of the Company regulates the authorities and responsibilities of each body of the Company involved in lending process and determine the limits for credit granting approval, the rules for monitoring of leases, and lending procedures etc. The Company's maximum exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the statement of financial position. The Credit Committee of the Company ("CC") is the collective body which operates and reports to the Management Board. The overall role of CC is to control and manage all leasing operations approved in the framework of strategic and business plan of the Company. Credit Committee controls procedures and operations of leasing arrangements in accordance with the approved Credit Policy of the Company. The Credit Committee is comprised of senior representatives from Finance, Risk Management and Economics and is responsible for reviewing and approving key inputs and assumptions used in our expected credit loss estimates. It also assesses the appropriateness of the overall allowance results to be included in the financial statements.

##### Liquidity risk

Liquidity risk also referred to as funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company maintains sufficient cash balances and monitors liquidity requirements on a regular basis and the management ensures that sufficient funds are available to meet any future commitments. The Company is also well supported by its related parties for the funding of long-term liquidity needs. Financial liabilities as disclosed are as disclosed below:

	Interest rate	Within 1 year AZN	1 to 5 years AZN	Over 5 years AZN	Total AZN
<b>December 31, 2025</b>					
Borrowings	3 months Libor+5.5% per annum, 5%-15%	16,700,117	15,460,215	-	32,160,332
Lease liability	13% per annum	59,472	259,070	-	318,542
Other liabilities		2,572,104		-	2,572,104
		<b>19,331,693</b>	<b>15,719,285</b>	<b>-</b>	<b>35,050,978</b>

# MCB Non-banking Credit Organization Closed Joint Stock Company

## Financial Statements

### Notes to the financial statements (continued)

For the year ended December 31, 2025

#### 23 Financial instrument risk (continued)

##### Liquidity risk (continued)

	Interest rate	Within 1 year AZN	1 to 5 years AZN	Over 5 years AZN	Total AZN
December 31, 2024					
Borrowings	3 months Libor+5.5% per annum, 5%-12.5%	16,700,117	7,353,814	-	24,053,931
Lease liability	13% per annum	16,911	-	-	16,911
Other liabilities		1,137,494	-	-	1,137,494
		<u>17,854,522</u>	<u>7,353,814</u>	<u>-</u>	<u>25,208,336</u>

The above amounts reflect the contractual cash flows, which may differ to the carrying values of the liabilities at the reporting date. Balances due within one year equal their carrying balances as the impact of discounting is not significant.

#### 24 Fair value and fair value hierarchy

Assets and liabilities measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the financial assets and liabilities of the Company are carried at amortised cost and none of the non-financial assets and liabilities have been fair valued. Therefore, the fair value hierarchy disclosure which requires a three-level category of fair value is not disclosed because it does not have significant disclosure impact to the financial statements.

#### 25 Capital management policies and procedures

The Company's capital management objectives are:

- to ensure the Company's ability to continue as a going concern;
- to provide an adequate return to shareholders; and
- to comply the requirements of Central Bank of Azerbaijan (CBAR)

The CBAR sets and monitors capital requirements for the Company. The Company defines as capital those items defined by statutory regulation as capital for credit organizations. Under the current capital requirements set by the CBAR, non-bank credit organizations have to hold a minimum level of charter capital of AZN 300,000 (2024: AZN 300,000). On November 15, 2024, the CBAR has issued new regulations "Regulation on prudent management of non-bank credit institutions" for NBCO's which are effective after 3 months from the date of issue of these regulations. Under the new regulations, the minimum capital of a commercial NBCO should now be AZN 1,000,000. The Company is already in compliance of the aforesaid regulation and have share capital in excess of the minimum requirement. Capital for the reporting periods is summarised as follows:

**MCB Non-banking Credit Organization Closed Joint Stock Company**  
**Financial Statements**

**Notes to the financial statements (continued)**  
**For the year ended December 31, 2025**

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**25 Capital management policies and procedures (continued)**

	2025	2024
	AZN	AZN
Total equity	10,213,158	8,667,977
Cash and cash equivalents (note 5)	<u>(138,667)</u>	<u>(355,500)</u>
Capital	<u>10,074,491</u>	<u>8,312,477</u>
Total equity	10,213,158	8,667,977
Borrowings (note 13)	32,160,332	24,053,931
Lease liability (note 14)	<u>318,542</u>	<u>16,911</u>
Overall financing	<u>42,692,032</u>	<u>32,738,819</u>
Capital-to-overall financing ratio	<u>24%</u>	<u>25%</u>

**26 Post reporting date events**

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorization of these financial statements.