

Baku Stock Exchange

- Capital Markets Ecosystem in Azerbaijan
- Capital Markets Snapshot
- BSE's Strategy Snapshot
- BSE: key service offerings
- BSE: recent developments



Azerbaijan's Capital Market Ecosystem

MAIN BODIES

REGULATORY BODY

Central Bank of Azerbaijan Republic (CBAR):

Manages monetary policy, financial stability, and currency management. Maintains international gold and foreign exchange reserves.

CUSTODIAN BODY

National Depository Center (NDC)

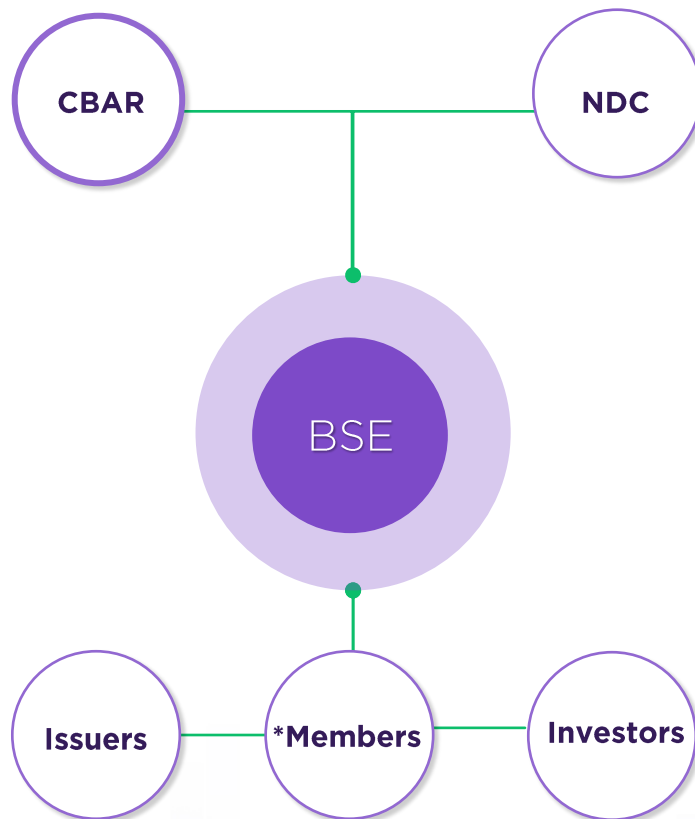
Acts as the central depository in Azerbaijan, providing depository, registrar, and clearing, services. Ensures the clearing and settlement of transactions concluded on the Baku Stock Exchange.

TRADING INFRASTRUCTURE

Baku Stock Exchange (BSE)

BSE is a marketplace establishing and enforcing rules for listing and trading of securities including shares by public joint stock companies, bonds issued by government and corporations and other financial institutions.

CAPITAL MARKET STRUCTURE



*12 Licensed Professional Participants at BSE:
<https://www.bfb.az/en/list-of-members-of-the-baku-stock-exchange>

STAKEHOLDERS

Issuers

Entities such as corporations and government institutions that raise capital by listing securities on the Baku Stock Exchange, enhancing liquidity and transparency.

Members

Licensed financial institutions facilitating securities trading, offering brokerage, underwriting, and advisory services.

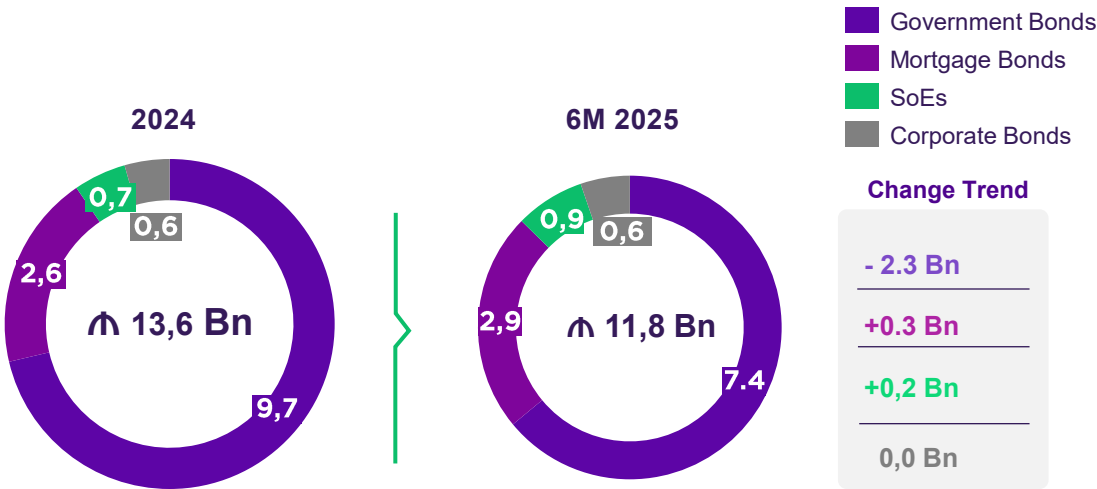
Investors

Individuals and institutions buying and selling securities to diversify portfolios, generate returns, and support market liquidity.

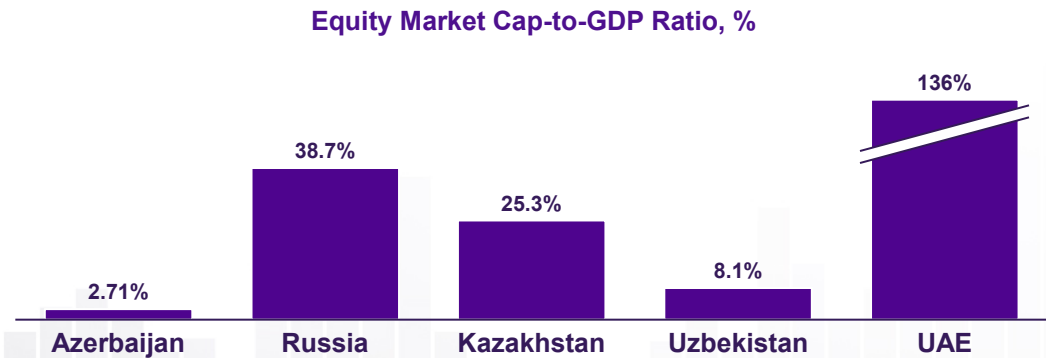
Snapshot of Azerbaijan's Capital Markets (as of 1H, 2025)



Government Bonds Dominate Outstanding Debt Volume

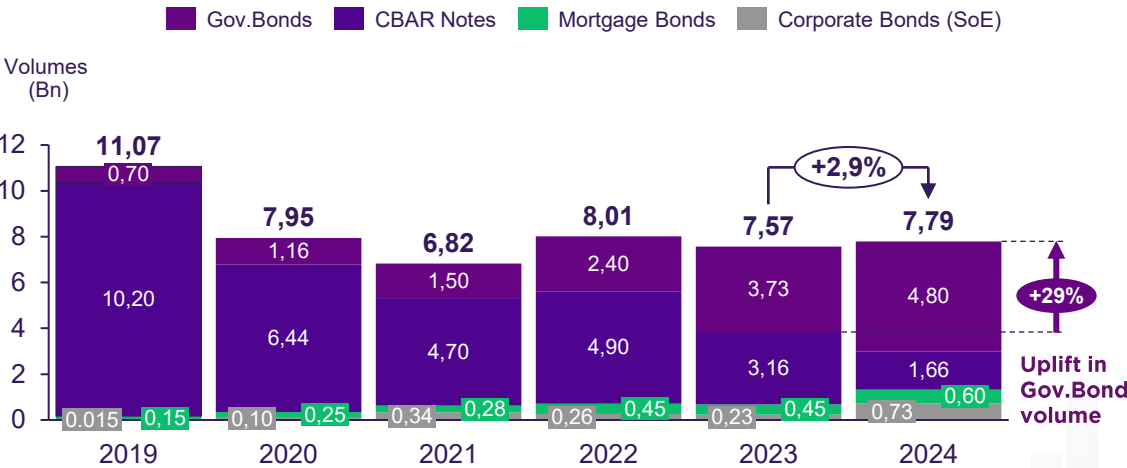


Equity market cap-to-GDP ratio compared to regional benchmarks highlights growth potential in equity capital market

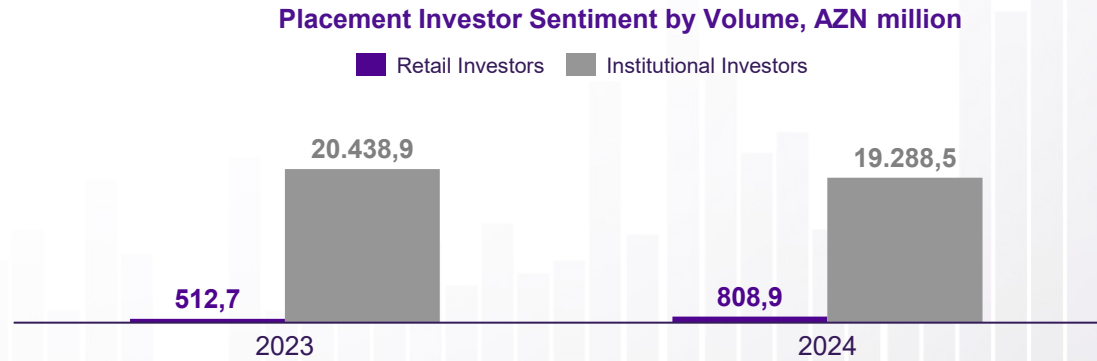


Source: Global Innovation Index, published in 2024, based on average data from the years 2021–2023

Primary Corporate Debt Issuance For The Last 5 Years (Bn AZN)



Retail investor volume saw an increase in 2024 compared to 2023, reflecting rising confidence among retail investors, despite institutional investors still dominating the market



Source: Baku Stock Exchange

BSE's Strategy Snapshot

BSE's Strategic Initiatives target Debt and Equity Capital Markets' foundations

■ Bond Market
 ■ Equity Market

	Initiative	Sphere of influence	Estimates on the market ¹
1	Encourage the growth in bond issuance of State-owned Enterprises (SOE)	Public sector financing through capital markets	Potential for foreseeable growth in the volume of SOE bonds: AZN1,3 bn
2	Increase the awareness of the institutional bond investor base about capital markets and investment products	Increasing large-scale investments in capital markets	Foreseeable institutional investor potential: AZN2,5 bn
3	Promote corporate bond issuance	Real sector financing through capital markets	Potential for foreseeable growth in corporate bond volumes: AZN1,5 bn
4	Organize targeted awareness events for private investors	Increasing the participation of individual investors in capital markets	Foreseeable individual investor potential: AZN280 mn
5	Conduct activities aimed at facilitating the participation of individual investors in the equity market	Participation of individual investors in capital markets	Foreseeable volume of additional equity investments by individual investors: AZN165 mn
6	Encourage private enterprises to undertake Initial Public Offerings (IPOs).	Participation of the private sector in the capital markets	Foreseeable increase in the share market capitalization of private enterprises: AZN500 mn
7	Launch the IPO Accelerator Program	Participation of the private sector in the capital markets	Foreseeable increase in the share market capitalization of private enterprises: AZN500 mn

¹ Market estimates show investment and issue volumes forecasted by Baku Stock Exchange. Achieving those results may vary depending on the general macroeconomic situation and the impact of the business environment, as well as the overall local and regional financial markets. For this reason, the achievement of the specified volumes should not be considered as goals of the current strategic development plan.



Recent developments

- Cross border market connection – Tabadul Hub
- Membership with World Federation of Exchanges
- Digital transformation – FINSFERA



Cross border market connection – Tabadul Hub

The Tabadul Hub launched in 2022 by ADX with regional partners, is a digital hub connecting exchanges, regulators, firms, and investors to ease cross-border investments via local brokers.

Advantages of the hub

- 1 Tabadul collaborates with exchanges and brokers to simplify cross-border trading for investors. By linking multiple markets through a single platform, it creates more opportunities for trades between member exchanges.

This activity:

- Boosts market efficiency by reducing trading barriers
- Provides access to investors without needing to manage accounts in multiple markets
- Benefits brokers by expanding their services

- 2 Exchanges using Tabadul can decide which other markets they want to connect to, allowing them to focus on partnerships that align with their goals

- 3 Exchanges can keep their current rules and processes in place while customizing how they participate on the Tabadul platform to meet their specific needs

Source: ADX Materials



+8

Exchanges

Currently, 4 exchanges are onboarded (ADX, BHB, MSX, AIX), 4 have signed (CASE, KASE, AMX, ASE), and 10 more are in the pipeline.

+490 Listed Companies

Investors gain diverse opportunities through multiple sectors—banking, finance, energy, and telecom.

+17 Trading members

Trading members can join participant markets remotely via the member registry.

\$ +994bn Market Cap

Total market cap of all member exchanges

+7.6 Mn Investors

A diverse investor base brings greater exposure and liquidity to target market.

Connecting Tabadul Hub

Expected impact to Azerbaijan Capital Markets

Market Depth & Liquidity Policy Alignment and Technological Advancement

Description

Rationale

Number of Investors

Tabadul’s potential investor base is about 3.8 million, and broader participation could boost the secondary market and establish real yields and pricing for local securities.

Demand for Local issues

Azerbaijan’s BBB credit rating and cross border trade opportunities may drive demand for AZN denominated bonds. Linking with Tabadul could attract foreign investors, boost liquidity, and ease access via simple dual listings.

Deepening Market Depth

Foreign capital can expand the market by enabling more frequent, varied auctions. It could also provide local firms and SoEs with cheaper funding from global investors while promoting stronger corporate governance.

Fiscal Policy Implementation

Regular auctions open to diverse investors could help the government and SoEs raise capital, align fiscal and monetary policies.

Technology and knowledge transfer

Connection to advanced systems may enable BSE to adopt and upgrade new technology advancements.

Diversified Investments

Local investors could gain access to international markets with broader options, while Azerbaijani government bonds could enter frontier market indices, boosting their appeal to global investors.

Membership with WFE



The WFE exists for its members, and currently represents more than 250 exchanges and CCPs of all sizes from around the world.

BSE is currently an **Affiliate Member of WFE** – currently part of the global exchange community under affiliate status.

Commitments by BSE



Advancing Towards Full Membership...

... undergoing the evaluation process defined by WFE



Regulatory Alignment...

... supervised by the Central Bank of Azerbaijan, a full member of IOSCO, ensuring compliance with international securities standards.



Market Development Role...

... facilitating equity, bond, and repo markets, and supporting capital-raising opportunities for issuers.



Public-Interest Institution...

... operating as a neutral and transparent marketplace serving investors, issuers, and intermediaries.



Technical & Governance Readiness...

... strengthening trading, clearing, and settlement infrastructure in line with WFE benchmarks.



Commitment to Global Standards...

... aligning operations with WFE principles to ensure fairness, transparency, and investor protection.



Strategic Milestone...

... full WFE membership will place Azerbaijan's capital markets on the global stage, enhancing credibility and international connectivity.

FINSFERA by BSE

Digital Transformation of Capital Markets in Azerbaijan

Book-Building Platform

Collection and tracking of investor demand for new issuances.

E-Securities Module

Marketplace functionality for bonds and equities

Investor Calculator & Simulator

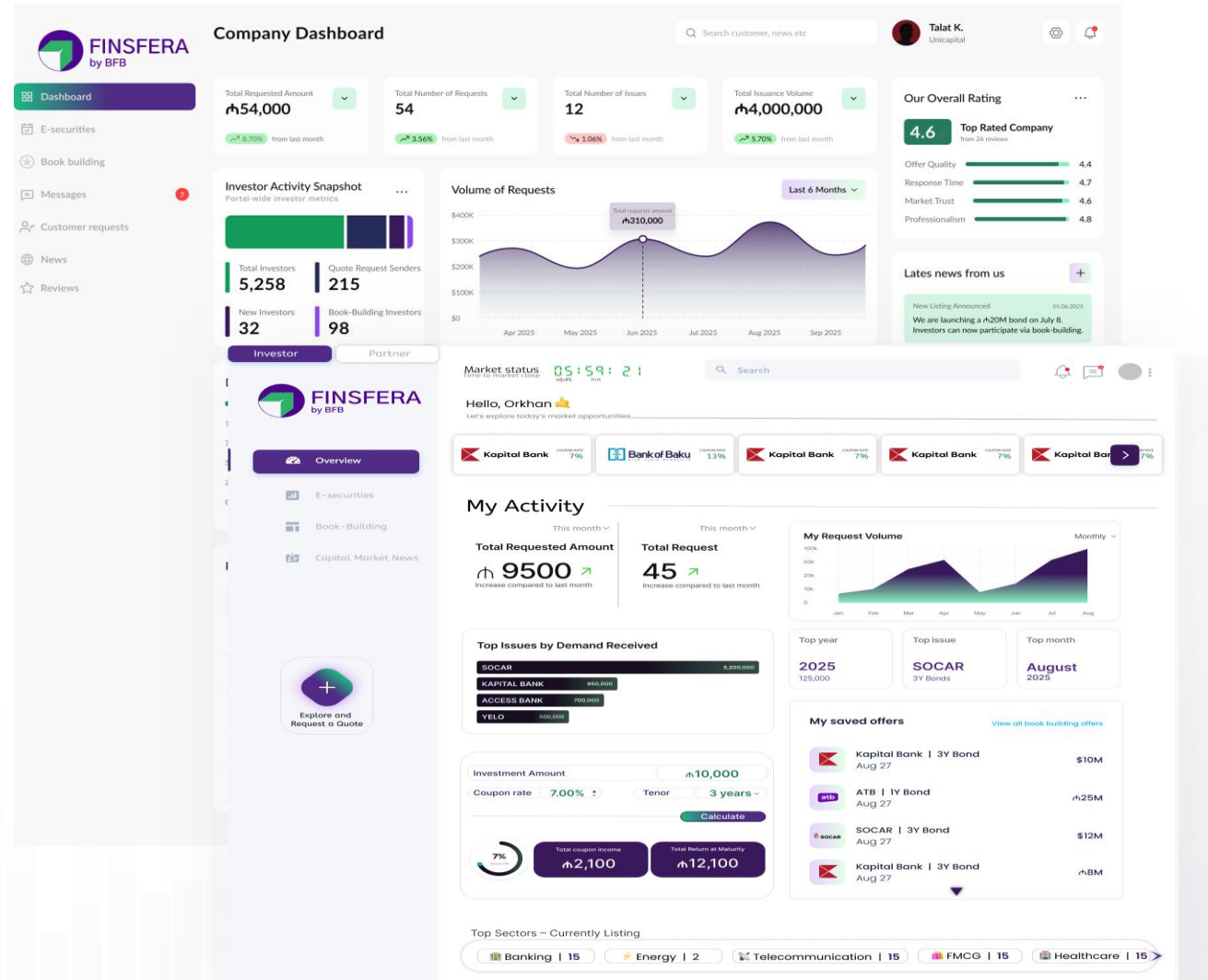
Interactive tools to estimate returns, coupons, and yields.

Transparency & Accessibility

Ensuring openness and easy access for investors

Capital Markets Information Hub

A centralized source for news, updates, and market insights



Thank you!

