

**“EXPRESSBANK”
OPEN JOINT-STOCK COMPANY**

**Financial Statements and
Independent Auditors’ Report**
For the Year Ended December 31, 2025

“EXPRESSBANK” OPEN JOINT-STOCK COMPANY

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INDEPENDENT AUDITORS' REPORT

To the Shareholders, Supervisory Board and Management Board of "Expressbank" Open Joint-Stock Company:

Opinion

We have audited the financial statements of "Expressbank" Open Joint-Stock Company (the "Bank"), which comprise the statement of financial position as at December 31, 2025 and the statement of profit or loss and other 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 a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank 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 (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion, thereon, and we do not provide a separate opinion on these matters.

The key audit matter

Allowance for expected credit losses on loans and advances to customers

Loans and advances to customers represent 80% of total assets as at December 31, 2025 and are stated net of allowance for expected credit losses ("ECL") that are estimated on a regular basis and are sensitive to the assumptions used.

The estimation of expected credit losses requires management to apply significant judgments and estimation techniques to determine the probability of default (PD), projected exposure at default (EAD) and loss given default (LGD), considering observed historical data, current economic situation and available forward-looking information.

Credit loss allowance for loans and advances to customers is a key audit matter due to the significance of the balances to the Bank's financial position, and the complexity and judgement related to the estimation of ECL under IFRS 9 "Financial Instruments".

Note 3 "Material Accounting Policy Information", Note 4 "Critical Accounting Estimates and Judgements in Applying Accounting Policies", Note 11 "Loans and Advances to Customers" and Note 30 "Risk Management" to the financial statements provide detailed information on the allowance.

How was the matter addressed in our audit?

We engaged our experts in financial risk management to analyze the key aspects of the Bank's methodology and policies related to ECL estimate for compliance with the requirements of IFRS 9 "Financial Instruments".

To analyze the adequacy of professional judgement and assumptions made by management in relation to allowance for ECL estimate we performed the following procedures:

For loans and advances to customers, we tested the correctness of data inputs for PD, LGD and EAD calculation, timely reflection of delinquency events and loan repayments in the underlying systems and allocation of loans into the appropriate stages. We reconciled the input data with supporting documents on a sample basis.

We also assessed whether the disclosures of the financial statements appropriately reflect the Bank's exposure to credit risk.

Other Matter

The financial statements of the Bank for the year ended December 31, 2024 were audited by another auditor who expressed an unqualified opinion on those financial statements on May 30, 2025.

As a part of the audit of the financial statements for the year ended December 31, 2025, we also audited the adjustments described in Note 7 that were applied to the financial statements for the year ended December 31, 2024. We were not engaged to audit the financial statements of the Bank for the year ended December 31, 2024, other than with respect to the adjustments, if any. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

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, 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 Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

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

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

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

- Identify and assess the risks of material misstatement of the 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 Bank'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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank 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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Baker Tilly Azerbaijan

May 22, 2026

Baku, the Republic of Azerbaijan

"EXPRESSBANK" OPEN JOINT-STOCK COMPANY

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2025

(in thousands of AZN, unless otherwise indicated)

	Notes	December 31, 2025	December 31, 2024 (restated/ reclassified)
Assets			
Cash and cash equivalents	8	45,097	51,660
Amounts due from financial institutions	9	19,411	14,716
Investment securities	10	40,648	29,313
Loans and advances to customers	11, 32	535,710	499,591
Property and equipment	12	4,356	5,189
Intangible assets	13	843	1,262
Foreclosed property		1,771	2,464
Right-of-use assets	14	6,926	6,609
Deferred income tax asset	26	2,586	2,269
Other assets	15	11,345	9,423
TOTAL ASSETS		668,693	622,496
LIABILITIES			
Amounts due to financial institutions	16	47,338	57,064
Amounts due to customers	17, 32	311,398	264,333
Borrowed funds	18	157,138	136,678
Lease liabilities	14	5,520	5,908
Dividends payable to the shareholders	20	8,960	-
Repurchase agreements with financial institutions	19	-	11,695
Other liabilities	15, 32	12,508	9,337
TOTAL LIABILITIES		542,862	485,015
EQUITY			
Share capital	20	112,545	112,545
Retained earnings		13,286	24,936
TOTAL EQUITY		125,831	137,481
TOTAL LIABILITIES AND EQUITY		668,693	622,496

On behalf of the Management Board,

Mr. Mehman Mammadov
Chairman of the Management Board

May 22, 2026
Baku, the Republic of Azerbaijan

Mrs. Samira Pashayeva
Chief Accountant

May 22, 2026
Baku, the Republic of Azerbaijan

The notes on pages 8-69 form an integral part of these financial statements.



“EXPRESSBANK” OPEN JOINT-STOCK COMPANY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2025 (in thousands of AZN, unless otherwise indicated)

	Notes	Year ended December 31, 2025	Year ended December 31, 2024 (reclassified)
Interest income	21, 32	82,089	67,776
Interest expense	21, 32	(30,023)	(20,436)
Net interest income before expected credit losses	21	52,066	47,340
Charge of expected credit losses on financial assets	22	(9,334)	(6,079)
Net interest income after expected credit losses		42,732	41,261
Fee and commission income	23, 32	15,952	16,383
Gains less losses from trading in foreign currencies		2,205	2,966
Other income, net		1,196	1,928
Non-interest income		19,353	21,277
Fee and commission expense	23, 32	(10,895)	(10,652)
Net loss from foreign currency translation differences		(12)	(65)
Personnel expenses	24, 32	(24,616)	(23,225)
General and administrative expenses	25	(16,098)	(14,720)
Change in fair value of foreclosed property		(351)	-
Recovery/(charge) of ECL on credit-related commitments	22	105	(96)
Non-interest expenses		(51,867)	(48,758)
Profit before income tax		10,218	13,780
Income tax expense	26	(2,094)	(2,820)
Net profit for the year		8,124	10,960
Total comprehensive income for the year		8,124	10,960
Earnings per share for profit attributable to the owners of the Bank, basic and diluted (expressed in AZN per share)	27	26.64	35.93

On behalf of the Management Board:

Mr. Mehman Mammadov
Chairman of the Management Board

May 22, 2026
Baku, the Republic of Azerbaijan



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May 22, 2026
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“EXPRESSBANK” OPEN JOINT-STOCK COMPANY

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2025 (in thousands of AZN, unless otherwise indicated)

	Notes	Share capital	Retained earnings	Revaluation reserve	Total
January 1, 2024		112,545	15,979	1,199	129,723
Effects of restatements (Note 7)		-	1,199	(1,199)	-
January 1, 2024 (restated)		112,545	17,178	-	129,723
Total comprehensive income for the year		-	10,960	-	10,960
Dividends declared	20	-	(3,202)	-	(3,202)
December 31, 2024		112,545	24,936	-	137,481
Total comprehensive income for the year		-	8,124	-	8,124
Dividends declared	20	-	(19,774)	-	(19,774)
December 31, 2025		112,545	13,286	-	125,831

On behalf of the Management Board:

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Chairman of the Management Board

May 22, 2026
Baku, the Republic of Azerbaijan

Mrs. Samira Pashayeva
Chief Accountant

May 22, 2026
Baku, the Republic of Azerbaijan

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“EXPRESSBANK” OPEN JOINT-STOCK COMPANY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2025 (in thousands of AZN, unless otherwise indicated)

	Notes	Year ended December 31, 2025	Year ended December 31, 2024 (restated/ reclassified)
Cash flows from operating activities			
Interest received		80,806	64,557
Interest paid		(24,577)	(17,286)
Fees and commissions received		15,952	16,383
Fees and commissions paid		(10,895)	(10,652)
Realized gains less losses from trading in foreign currencies		2,205	2,966
Personnel expenses paid		(25,799)	(23,089)
General and administrative expenses paid		(11,357)	(11,335)
Other income received, net		733	1,635
Income tax paid		(2,102)	(4,068)
Cash flows from operating activities before changes in operating assets and liabilities		24,966	19,111
Amounts due from financial institutions		(4,695)	(2,571)
Loans and advances to customers		(44,329)	(89,798)
Foreclosed property		414	299
Other assets		(939)	(2,937)
Amounts due to financial institutions		46,466	24,037
Amounts due to customers		(14,281)	30,281
Repurchase agreements with financial institutions		(11,638)	(11,684)
Other liabilities		3,838	(479)
Net cash used in operating activities		(198)	(33,741)
Cash flows from investing activities			
Payments for property and equipment		(1,543)	(875)
Payments for intangible assets		(4)	(12)
Proceeds from sale of property and equipment		27	274
Payments for investment securities		(22,427)	(8,262)
Proceeds from redemption or sale of investment securities		11,179	32,473
Net cash (used in)/provided from investing activities		(12,768)	23,598
Cash flows from financing activities			
Proceeds from borrowed funds	18	45,257	32,843
Repayment of borrowed funds	18	(24,948)	(20,221)
Repayment of lease liabilities	14	(3,772)	(1,856)
Dividends paid to the shareholders	20	(10,814)	(8,664)
Net cash provided from financing activities		5,723	2,102
Effect of exchange rate changes on cash and cash equivalents		680	(340)
Net decrease in cash and cash equivalents		(6,563)	(8,381)
Cash and cash equivalents at the beginning of the year	8	51,660	60,041
Cash and cash equivalents at the end of the year	8	45,097	51,660

On behalf of the Management Board:

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Chairman of the Management Board

May 22, 2026
Baku, the Republic of Azerbaijan



Mrs. Samira Pashayeva
Chief Accountant

May 22, 2026
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The notes on pages 8-69 form an integral part of these financial statements

“EXPRESSBANK” OPEN JOINT-STOCK COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025

(in thousands of AZN, unless otherwise indicated)

1. BACKGROUND

Bank and its principal activity

“Expressbank” Open Joint-Stock Company (the “Bank”) was formed on June 21, 1992 as “Azernaglyyyatbank” Commercial Bank operating under the laws of the Republic of Azerbaijan. On March 11, 2005 the legal structure of the Bank was changed to Open Joint-Stock Company. The Bank changed its name from Open Joint-Stock Commercial Bank “Azernaglyyyatbank” to “Expressbank” Open Joint-Stock Company on March 5, 2010. The Bank operates under banking license number 119 issued by the Central Bank of the Republic of Azerbaijan (the “CBAR”) on December 30, 1992.

The Bank accepts deposits from the public and extends credit, transfers payments in Azerbaijan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. Its head office is in Baku, and it has 16 branches (December 31, 2024: 16 branches) in Baku and other cities in Azerbaijan. The Bank’s registered legal address is 134C Y.V. Chamanzaminli St., Baku, AZ1052, the Republic of Azerbaijan.

Starting from August 7, 2007, the Bank is a member of the deposit insurance system. The system operates under the Law on Deposit Insurance and other regulations and is governed by the Azerbaijan Deposit Insurance Fund.

The Bank is officially listed on the standard market effective from January 7, 2020.

As at December 31, 2025 and 2024 the following shareholders owned the outstanding shares of the Bank:

<i>Shareholders</i>	<i>2025 (%)</i>	<i>2024 (%)</i>
“AZENCO Group” LLC	48.78	48.78
“Enerqoservis” LLC	30.85	30.85
Mr. Hafiz Seyidov	19.99	19.99
“Azerbaijan Land Transport Agency” PLE	0.38	0.38
Total	100.00	100.00

As at December 31, 2025 and 2024 no individual shareholder exerts control over the Bank.

Operating environment of the Bank

The Bank’s operations are conducted in the Republic of Azerbaijan. The Bank is exposed to the economic and financial markets of Azerbaijan, which display characteristics of an emerging market. The legal, tax, and regulatory frameworks continue to develop but are subject to varying interpretations and frequent changes, which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in Azerbaijan.

The global economy continued to adjust during 2025 following earlier disruptions to supply chains, geopolitical tensions related to the conflict between the Russian Federation and Ukraine and changes in global demand patterns. Inflationary pressures moderated compared to prior years, although commodity prices remained sensitive to geopolitical developments and shifts in global trade flows.

During 2025, the Azerbaijani economy continued to demonstrate overall macroeconomic stability, supported by government-led economic reforms, a stable exchange rate regime, and adequate foreign exchange reserves.

According to preliminary data, Azerbaijan’s GDP in 2025 amounted to AZN 129.1 billion (USD 75.9 billion), representing a 1.4% increase compared to 2024. Value added in the oil and gas sector decreased by 1.6%, while value added in the non-oil sector increased by 2.7%.

During 2025, Azerbaijan’s foreign trade turnover amounted to USD 48.9 billion. Exports of goods accounted for USD 24.5 billion, while imports of goods accounted for USD 24.38 billion, resulting in a positive trade balance of USD 0.12 billion.

“EXPRESSBANK” OPEN JOINT-STOCK COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) *(in thousands of AZN, unless otherwise indicated)*

According to the Central Bank of the Republic of Azerbaijan (CBAR), the consumer price index (CPI) for the period January-December 2025 was 105.6% compared to the same period of the previous year. The CBAR continued its efforts to manage monetary conditions and maintain the stability of the Azerbaijani manat. The policy rate was adjusted in response to global inflation trends with the refinancing rate set at 6.75% as at December 31, 2025 (December 31, 2024: 7.25%).

As at December 31, 2025, Azerbaijan's strategic foreign exchange reserves amounted to approximately USD 83.5 billion, compared to USD 71 billion at December 31, 2024, reflecting a significant increase that supported the stability of the Azerbaijani manat and overall macroeconomic resilience.

By the end of December 2025, the number of active plastic cards increased to a historic high of 21,980 thousand compared to 19,899 thousand in 2024.

Fitch Ratings affirmed Azerbaijan's long-term foreign-currency credit rating at 'BBB-' with a Stable Outlook in 2025, reflecting strong fiscal performance, robust external balances, and substantial sovereign assets.

The future economic growth of the Republic of Azerbaijan is largely dependent upon the effectiveness of economic, financial, and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments. Management is unable to predict all developments in the economic environment that could impact the Bank's operations and, consequently, cannot determine what effect, if any, they could have on the financial position of the Bank.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards). These financial statements are prepared under the historical cost convention except for the vehicles which are at fair value and revalued from time to time, and foreclosed property which are stated at the lower of the carrying amount and fair value less the costs to sell. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Functional and presentation currency

The functional currency of the Bank is Azerbaijani manat ("AZN") as being the national currency of the Republic of Azerbaijan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

At December 31, 2025, the principal rate of exchange used for translating foreign currency balances was USD 1 = AZN 1.7000 and EUR 1 = AZN 2.0022 (December 31, 2024: USD 1 = AZN 1.7000 and EUR 1 = AZN 1.7724).

The AZN is also the presentation currency for the purposes of these financial statements.

Financial information presented in AZN is rounded to the nearest thousand, unless otherwise stated.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

“EXPRESSBANK” OPEN JOINT-STOCK COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. Refer to Note 30.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost ("AC") is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortized discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates.

Such premiums or discounts are amortized over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – Initial recognition. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss ("FVTPL"), transaction costs are added to, or subtracted from, this amount. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

After the initial recognition, an ECL allowance is recognized for financial assets measured at AC and investments in debt instruments measured at fair value through other comprehensive income ("FVOCI"), resulting in an immediate accounting loss.

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

“EXPRESSBANK” OPEN JOINT-STOCK COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

Financial assets – classification and subsequent measurement – measurement categories. The Bank classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Bank’s business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Bank manages the assets in order to generate cash flows – whether the Bank’s objective is: (i) solely to collect the contractual cash flows from the assets (“hold to collect contractual cash flows”), or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets (“hold to collect contractual cash flows and sell”) or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of “other” business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Bank in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed and how the assets’ performance is assessed. Refer to Note 4 for critical judgements applied by the Bank in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Bank assesses whether the cash flows represent solely payments of principal and interest (“SPPI”).

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Bank in performing the SPPI test for its financial assets.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Bank did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Bank assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Bank measures ECL and recognizes credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognized as a liability in the statement of financial position.

The Bank applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12-month ECL”).

If the Bank identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). Refer to Note 30 for a description of how the Bank determines when a SICR has occurred. If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank’s definition of credit-impaired assets and definition of default are explained in Note 30. Note 30 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

“EXPRESSBANK” OPEN JOINT-STOCK COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Bank measures expected credit losses over the period that the Bank is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period.

Financial assets – write-off. Financial assets are written off, in whole or in part, when the Bank has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Bank may write off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Bank derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial assets – modification. The Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g., profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Bank derecognizes the original financial asset and recognizes a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Bank also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognized and fair value of the new substantially modified asset is recognized in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate and recognizes a modification gain or loss in profit or loss.

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The accounting treatment of such restructuring is as follows:

- If the currency of the loan has been changed the old loan is derecognized and the new loan is recognized;
- If the loan restructuring is not caused by the financial difficulties of the borrower, the loan is no longer considered past due once the terms have been renegotiated.
- If the loan restructuring is due to the financial difficulties of the borrower and the loan is impaired after restructuring, the Bank recognizes the difference between the present values of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the period. In case loan is not impaired after restructuring the Bank recalculates the effective interest rate.

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Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognized when they are extinguished (i.e., when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Bank and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch-up method, with any gain or loss recognized in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents are short-term items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, amounts due from the CBAR, excluding mandatory reserves of CBAR, and unrestricted balances on correspondent accounts including overnight deposits and deposits with original maturities of less than three months. Restricted funds are excluded from cash and cash equivalents, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Amounts due from financial institutions. Amounts due from financial institutions are restricted funds and placements with other banks and financial institutions with original maturities of more than three months. Amounts due from financial institutions are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

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

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

Investment securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Bank may also irrevocably designate investment securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognized or measured on different accounting bases.

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Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Bank classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 30 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

Loan commitments. The Bank issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight-line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition.

At the end of each reporting period, the commitments are measured at (i) the remaining unamortized balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Bank cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognized together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognized as a liability.

Financial guarantees. Financial guarantees require the Bank to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognized at their fair value, which is normally evidenced by the amount of fees received.

This amount is amortized on a straight-line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortized balance of the amount at initial recognition.

Taxation. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge/credit comprises current tax and deferred tax and is recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, in the same or a different period, in other comprehensive income or directly in equity. The current income tax expense is calculated in accordance with the regulations of the Republic of Azerbaijan.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if the financial statements are authorized prior to filing relevant tax returns. Taxes other than on income are recorded within general and administrative expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

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Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

In addition, there are various operating taxes in Azerbaijan such as VAT, property tax, withholding tax and others which become relevant as a result of the Bank's operations. These taxes are included as a component of general and administrative expenses.

Property and equipment. Property and equipment is carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

At the end of each reporting period management assesses whether there is any indication of impairment of property and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity. An impairment loss recognized for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognized in profit or loss for the year within other income, net.

Following initial recognition at cost, vehicles are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment losses.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation. Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Furniture and fixtures	4-7
Computers and office equipment	5
Vehicles	4-7
Other fixed assets	5
Leasehold improvements	over the term of the contract

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in general and administrative expenses, unless they qualify for capitalization.

Foreclosed property. The Bank classifies a non-current asset, which the Bank took possession of in respect of non-performing loans and is in the process of selling, as foreclosed property if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

The Bank measures a foreclosed property at the lower of its carrying amount and fair value less costs to sell. The Bank recognizes an impairment loss for any initial or subsequent write-down of the asset to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Intangible assets. Intangible assets include computer software and licenses. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic lives of 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year-end.

Accounting for leases by the Bank as a lessee. The Bank leases office premises and warehouses. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognized at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- the exercise prolongation option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

As an exception to the above, the Bank accounts for short-term leases and leases of low-value assets by recognising the lease payments as part of general and administrative expenses on a straight-line basis.

In determining the lease term, management of the Bank 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 assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

No rent concessions have been granted to the Bank by lessors during the years ended December 31, 2025 and 2024.

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Amounts due to financial institutions and customers. Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include customer accounts and term deposits placed by individuals, state and corporate customers, as well as financial institutions. All amounts represent non-derivative liabilities and are carried at AC.

Repurchase agreements. Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in repurchase agreements with financial institutions. The difference between the sale and repurchase prices represents interest expense and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

Share capital. Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorized for issue, are disclosed in the subsequent events note.

Contingencies. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

Income and expense recognition. Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example, fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at FVTPL.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for financial assets that have become credit-impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision.

If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (i.e., the asset becomes cured), the asset is reclassified from Stage 3 and the interest revenue is calculated by applying the effective interest rate (EIR) to the gross carrying amount. The additional interest income, which was previously not recognized in P&L due to the asset being in Stage 3 but it is now expected to be received following the asset's curing, is recognized as a reversal of impairment.

Fees and commissions. The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

- *Fee income earned from services that are provided over a certain period of time*

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Fee and commission income is recognized over time on a straight-line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank's performance.

Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

- *Fee income from providing transaction services*

Fee and commission income is recognized at a point in time when the Bank satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Fees arising from negotiating or participating in the negotiation of a transaction for a third party are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Sales and purchases of foreign currencies and currency conversion. The Bank sells and purchases foreign currencies in the cash offices and through the bank accounts, as well as exchanges foreign currencies. The transactions are performed at the exchange rates established by the Bank, which are different from the official spot exchange rates at the particular dates. The differences between the official rates and Bank rates are recognized as gains less losses from trading in foreign currencies at a point in time when a particular performance obligation is satisfied.

Foreign currency translation. The financial statements are presented in Azerbaijani manat, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of profit or loss and other comprehensive income as net gains/(losses) from foreign currency translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the CBAR exchange rate on the date of the transaction are included in net gains/(losses) from foreign currency translation differences.

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating shares outstanding during the reporting year.

Staff costs and related contributions. Wages, salaries, contributions to the Azerbaijan Republic state pension and social insurance funds, 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 Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgments

Information about critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

Significant increase in credit risk (“SICR”). In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Bank identifies behavioural indicators of increases in credit risk prior to delinquency and incorporates appropriate forward-looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 30.

ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 30. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”), as well as models of macro-economic scenarios. The Bank regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Modification of financial assets. When financial assets are contractually modified (e.g., renegotiated), the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Bank applies judgment in deciding whether credit-impaired renegotiated loans should be derecognized and whether the new recognized loans should be considered as credit-impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognized nor reclassified out of the credit-impaired stage.

Write-off policy. Financial assets are written off, in whole or in part, when the Bank has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Bank may write off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due. Cases with a final court decision are moved to the off-balance sheet in the amount determined by the court decision on the basis of the minutes of the Supervisory Board upon the recommendation of the Board of Directors. Therefore, the gross carrying amounts of default loans are written off. Any subsequent recoveries are credited to credit loss allowance.

Fair value at initial recognition of borrowed funds. Management has assessed that the fair value of the borrowed funds approximates their carrying amount. This assessment is based on the view that there are no other financial instruments comparable to these borrowings in the market. The borrowings are considered to be part of a distinct and separate market, characterized by government-backed, subsidized funding terms that do not fluctuate in alignment with broader market conditions. Consequently, there have been no significant changes in the credit risk profile or prevailing market interest rates. Refer to Note 18.

Determining lease term. The Bank leases office premises from third parties under contracts which do not have contractual maturity dates and are automatically renewed unless either party submits a termination notice of 3 months. The Bank determines non-cancellable lease period for such leases, taking into consideration penalties that would be incurred upon termination, including economic disincentives such as leasehold improvements, cost of relocating or the importance of the premises to the Bank's operations. As a result, the lease term for most significant office premises has been determined as a period of 3-5 years.

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5. ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

In the current year, the Bank has adopted all of the applicable new and revised Standards and Interpretations issued by the IASB and the IFRIC of the IASB that are relevant to its operations and effective for the year ended December 31, 2025.

In August 2023, the IASB amended IAS 21 “The Effects of Changes in Foreign Exchange Rates” to clarify when a currency is exchangeable into another currency and how a company estimates a spot rate when a currency lacks exchangeability. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency, with a normal administrative delay, and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

Unless otherwise disclosed, the new and revised standards and interpretations did not have a material effect on the financial statements of the Bank.

6. STANDARDS AND INTERPRETATIONS ISSUED AND NOT YET ADOPTED

At the date of authorization of these financial statements, other than the Standards and Interpretations adopted by the Bank in advance of their effective dates, the following standards, interpretations and amendments were issued but not yet effective. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

On May 30, 2024, the IASB issued amendments to IFRS 9 “Financial Instruments” and IFRS 7 “Financial Instruments: Disclosures” concerning the classification and measurement of financial instruments. Key changes include:

- **Derecognition of financial liabilities:** Allows liabilities settled via electronic transfer to be considered discharged prior to the settlement date under specified criteria.
- **Classification of financial assets:** Provides guidance on assessing contractual terms for basic lending arrangements, enhances the definition of non-recourse features, and clarifies characteristics of contractually linked instruments.
- **Disclosures:** Introduces new requirements for equity investments at fair value through OCI and for contingent terms affecting cash flows.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with retrospective application allowed and early adoption permitted.

On July 18, 2024, the IASB published “Annual Improvements to IFRS Accounting Standards – Volume 11”.

This publication includes the following amendments:

IFRS 1: Clarifications on hedge accounting for first-time adopters.
IFRS 7: Guidance on recognizing gains or losses on derecognition.
IFRS 7: Improved disclosures for deferred differences between fair value and transaction price.
IFRS 7: Enhancements to introduction and credit risk disclosures.
IFRS 9: Clarifications on lessee derecognition of lease liabilities.
IFRS 9: Additional guidance on transaction price determination.
IFRS 10: Clarifications on the determination of a ‘de facto agent.’
IAS 7: Improvements related to the cost method.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026.

In December 2024, the IASB issued “Contracts Referencing Nature-dependent Electricity” (Amendments to IFRS 9 and IFRS 7). The amendments address the accounting for certain long-term power purchase agreements (PPAs) and similar contracts whose cash flows vary depending on natural conditions, such as wind or sunlight, which are increasingly used in renewable energy markets.

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The amendments clarify that contracts that reference nature-dependent electricity can qualify as having cash flows that are solely payments of principal and interest (SPPI), even though the quantity of electricity delivered (and therefore the cash flows) varies due to nature-dependent factors. This clarification enables such contracts to be measured at amortized cost or fair value through other comprehensive income (FVOCI), provided all other relevant conditions in IFRS 9 are met.

In addition, the amendments introduce targeted disclosure requirements in IFRS 7 to enable users of financial statements to understand the effects of these contracts on an entity's financial position, performance and cash flows, including information about volume risk and pricing mechanisms.

The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. Comparative information is not required to be restated on initial application.

On April 9, 2024, the IASB issued a new standard – IFRS 18, “**Presentation and Disclosure in Financial Statements**” – in response to investors’ concerns about the comparability and transparency of entities’ performance reporting. The new requirements introduced in IFRS 18 will help to achieve comparability of the financial performance of similar entities, especially related to how ‘operating profit or loss’ is defined. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss;
- required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

IFRS 18 will replace IAS 1; many of the other existing principles in IAS 1 are retained, with limited changes. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but it might change what an entity reports as its ‘operating profit or loss’.

IFRS 18 will apply for reporting periods beginning on or after January 1, 2027 and also applies to comparative information.

In May 2024, the IASB published the new standard IFRS 19 “**Subsidiaries without Public Accountability: Disclosures**”, which permits a subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply IFRS 19 when:

- it is a subsidiary;
- it does not have public accountability, and
- its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

In August 2025, the IASB issued amendments to the standard. These amendments update IFRS 19 to reflect new and amended IFRS Accounting Standards issued between February 2021 and May 2024, ensuring that the reduced disclosure framework remains aligned with current IFRS Accounting Standards requirements.

The amendments revise and add disclosure requirements within IFRS 19 to incorporate changes arising from recently issued standards and amendments, while maintaining the objective of IFRS 19 to reduce disclosure burdens for eligible subsidiaries without public accountability that apply IFRS Accounting Standards.

The amendments do not change the eligibility criteria for applying IFRS 19 and do not affect the recognition or measurement requirements applied by subsidiaries. Instead, they ensure that entities applying IFRS 19 provide disclosures that remain relevant and decision-useful in light of developments in IFRS Accounting Standards.

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The new standard and amendments to it are effective for reporting periods beginning on or after January 1, 2027, with earlier application permitted.

In November 2025, the IASB issued “**Translation to a Hyperinflationary Presentation Currency**” (**Amendments to IAS 21**). The amendments address a specific gap in IAS 21 relating to situations in which an entity’s presentation currency becomes hyperinflationary, while the entity’s functional currency is not hyperinflationary.

The amendments clarify how an entity translates its financial statements into a hyperinflationary presentation currency, including how comparative information is presented. In particular, the amendments specify that when an entity presents its financial statements in a hyperinflationary currency, it applies the requirements of IAS 29 “Financial Reporting in Hyperinflationary Economies” to the presentation currency, even if the entity’s functional currency is not hyperinflationary.

The amendments improve consistency and comparability by ensuring that financial statements presented in a hyperinflationary currency appropriately reflect the effects of hyperinflation for users of financial statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted.

IFRS 10 “Consolidated Financial Statements” and IAS 28 (amendments) “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” – The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture.

Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

On June 26, 2023, the International Sustainability Standards Board (ISSB) published the first two IFRS Sustainability Disclosure Standards **IFRS S1 “General requirements for the disclosure of sustainability-related financial information”** and **IFRS S2 “Climate-related disclosures”**. The standards contain requirements for the disclosure of material information about an entity’s significant sustainability-related risks and opportunities that are necessary for investors to evaluate the entity.

IFRS S1 establishes general requirements with the objective of requiring an entity to disclose information about its sustainability-related risks and opportunities. IFRS S1 prescribes how an entity should prepare and present its sustainability-related financial information. It sets out general requirements for the content and presentation of these disclosures so that the information disclosed is useful to primary users of financial reporting in making decisions about the provision of resources to the entity.

IFRS S2 sets out requirements for identifying, assessing and disclosing information about climate-related risks and opportunities that is useful to the primary users of general-purpose financial reporting.

The two standards are to be applied for reporting periods beginning on or after January 1, 2024. Earlier application is permitted. If an entity applies IFRS S1 earlier, it must disclose this accordingly and apply IFRS S2 at the same time.

The mandatory application of the ISSB standards is dependent on their adoption by a jurisdiction into applicable law. This does not affect entities’ ability to apply the standards voluntarily (in addition). As at the date of this report, these standards were not adopted by the jurisdiction where the Bank operates.

Unless otherwise disclosed, the new and revised standards and interpretations are not expected to have a material effect on the financial statements of the Bank.

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7. PRIOR PERIOD RESTATEMENTS AND RECLASSIFICATIONS

During the year ended December 31, 2025, the Management detected certain errors and made certain restatements and reclassifications in the financial statements as at and for the year ended December 31, 2024.

The effect of restatements and reclassifications on the statement of financial position as at December 31, 2024 is presented in the table below:

	Notes	As previously reported December 31, 2024	Effect of restatements/ reclassifications	As restated/ reclassified December 31, 2024
Cash and cash equivalents	a	64,386	(12,726)	51,660
Amounts due from financial institutions	a	1,990	12,726	14,716
Current income tax asset	b	60	(60)	-
Amounts due to financial institutions	c	24,820	32,444	57,064
Amounts due to customers	c	296,777	(32,444)	264,333
Other liabilities	b	9,397	(60)	9,337
Revaluation reserve	d	1,199	(1,199)	-
Retained earnings	d	23,737	1,199	24,936

- a) Mandatory reserves with the CBAR amounting to AZN 12,726 have been reclassified from cash and cash equivalents to amounts due from financial institutions in the comparative information to better reflect their nature; this reclassification had no impact on profit or loss or total equity.
- b) Current income tax assets and taxes payable amounting to AZN 60 have been restated in the comparative information to reflect their appropriate presentation; this restatement had no impact on profit or loss or total equity.
- c) Amounts due to financial institutions amounting to AZN 32,444 have been reclassified from amounts due to customers in the comparative information to better reflect their nature; this reclassification had no impact on profit or loss or total equity.
- d) Amounts of AZN 1,199 have been reclassified between revaluation reserve and retained earnings in the comparative information to better reflect their appropriate classification within equity; this reclassification had no impact on total equity.

The effect of reclassifications on the statement of profit or loss and other comprehensive income for the year ended December 31, 2024 is presented in the table below:

	Notes	As previously reported December 31, 2024	Effect of restatements/ reclassifications	As reclassified December 31, 2024
Interest income	e	67,516	260	67,776
Interest expense	f	(19,855)	(581)	(20,436)
Lease expense	f	(581)	581	-
Fee and commission income	e, g	15,362	1,021	16,383
Gains less losses from trading in foreign currencies	g	4,247	(1,281)	2,966
Personnel expenses	h	-	(23,225)	(23,225)
General and administrative expenses	h	-	(14,720)	(14,720)
Personnel, general and administrative expenses	h	(37,945)	37,945	-

- e) Interest income on guarantees issued amounting to AZN 260 has been reclassified from fee and commission income to interest income in the comparative information to better reflect its nature; this reclassification had no impact on profit or loss or total equity.

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- f) Interest expense on lease liabilities amounting to AZN 581 has been reclassified from lease expense to interest expense in the comparative information to better reflect its nature; this reclassification had no impact on profit or loss or total equity.
- g) Fee and commission income from transactions with foreign currencies amounting to AZN 1,281 has been reclassified from gains less losses from trading in foreign currencies to fee and commission income in the comparative information to better reflect its nature; this reclassification had no impact on profit or loss or total equity.
- h) Personnel expenses and general and administrative expenses have been separately presented in the comparative information to better reflect the nature of the respective expenses; this presentation change had no impact on profit or loss or total equity.

The effect of restatements and reclassifications on the statement of cash flows for the year ended December 31, 2024 is presented in the table below:

	As previously reported December 31, 2024	Effect of restatements/ reclassifications	As restated/ reclassified December 31, 2024
Interest received	64,297	260	64,557
Fees and commissions received	15,400	983	16,383
Realized gains less losses from trading in foreign currencies	4,247	(1,281)	2,966
Amounts due from financial institutions	(85)	(2,486)	(2,571)
Other assets	(2,642)	(295)	(2,937)
Amounts due to financial institutions	15,396	8,641	24,037
Amounts due to customers	38,922	(8,641)	30,281
Other liabilities	43	(522)	(479)
Payments for property and equipment	(1,730)	855	(875)
Net decrease in cash and cash equivalents	(5,895)	(2,486)	(8,381)
Cash and cash equivalents at the beginning of the year	70,281	(10,240)	60,041
Cash and cash equivalents at the end of the year	64,386	(12,726)	51,660

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	December 31, 2025	December 31, 2024 (restated)
Cash on hand	22,074	18,259
Correspondent accounts and overnight placements with other banks and financial institutions	17,078	5,816
Time deposits with the CBAR up to 90 days	4,001	23,000
Cash balances with the CBAR (other than mandatory reserve deposits)	1,944	4,585
Total cash and cash equivalents	45,097	51,660

At December 31, 2025 the Bank had 10 correspondent accounts with other banks and financial institutions (December 31, 2024: 8 banks) with outstanding balance above AZN 100. The gross amount of these balances was AZN 16,634 (December 31, 2024: AZN 5,277).

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The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at December 31, 2025. Refer to Note 30 for the description of the Bank’s credit risk grading system.

	Cash balances with the CBAR	Correspondent accounts and overnight placements	Total
- Excellent	-	14,494	14,494
- Good	5,945	2,584	8,529
Total cash and cash equivalents, excluding cash on hand	5,945	17,078	23,023

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at December 31, 2024. Refer to Note 30 for the description of the Bank’s credit risk grading system.

	Cash balances with the CBAR	Correspondent accounts and overnight placements	Total
- Excellent	-	3,794	3,794
- Good	27,585	1,935	29,520
- Satisfactory	-	87	87
Total cash and cash equivalents, excluding cash on hand	27,585	5,816	33,401

For the purpose of ECL measurement, cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Bank did not recognize any credit loss allowance for cash and cash equivalents for the years ended December 31, 2025 and 2024. Refer to Note 30 for the ECL measurement approach.

9. AMOUNTS DUE FROM FINANCIAL INSTITUTIONS

Amounts due from financial institutions comprise:

	December 31, 2025	December 31, 2024 (restated)
Mandatory reserve with the CBAR	15,186	12,726
Loans to financial institutions	2,158	-
Pledged accounts with financial institutions	2,067	1,990
Total amounts due from financial institutions	19,411	14,716

As at December 31, 2025, the Bank is required to maintain a non-interest earning cash deposit (mandatory reserve) with the CBAR at 5% of the previous month average balances of certain liabilities in AZN and 6% of the previous month average balances of certain liabilities in foreign currencies respectively, attracted from customers by the Bank (December 31, 2024: 5% and 6% respectively).

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As at December 31, 2025 included in amounts due from financial institutions are blocked guarantee deposits placed by the Bank for its plastic cards operations totalling AZN 2,067 (December 31, 2024: AZN 1,990).

Included in amounts due from financial institutions in the amount of AZN 7 as at December 31, 2025 and 2024 is accrued interest receivable.

The following table contains an analysis of amounts due from financial institutions by credit quality at December 31, 2025 and 2024 based on credit risk grades. Refer to Note 30 for the description of credit risk grading system used by the Bank. The carrying values of amounts due from financial institutions at December 31, 2025 and 2024 below also represent the Bank's maximum exposure to credit risk on these assets:

	December 31, 2025	December 31, 2024
- Excellent	2,067	1,990
- Good	15,186	12,726
- Satisfactory	2,158	-
Total amounts due from financial institutions	19,411	14,716

For the purpose of ECL measurement, amounts due from financial institutions balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Bank did not recognize any credit loss allowance for amounts due from financial institutions for the years ended December 31, 2025 and 2024. Refer to Note 30 for the ECL measurement approach.

10. INVESTMENT SECURITIES

	December 31, 2025	December 31, 2024
Debt securities measured at amortized cost	40,648	29,313
Total investment securities	40,648	29,313

The table below discloses investment securities at December 31, 2025 and 2024 by classes:

	December 31, 2025	December 31, 2024
Azerbaijani government bonds	34,838	23,271
Corporate bonds	4,450	2,618
US Treasury bonds	1,360	3,468
Gross investment securities	40,648	29,357
Credit loss allowance	-	(44)
Net investment securities	40,648	29,313

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At December 31, 2025, no investment securities were pledged to third parties as collateral with respect to repurchase agreements (December 31, 2024: AZN 11,471).

Azerbaijani Government bonds are issued at local currency, Azerbaijani manats.

Included in investment securities in the amount of AZN 683 and AZN 640 as at December 31, 2025 and 2024, respectively is accrued interest receivable.

For the purpose of ECL measurement, investment securities balances are included in Stage 1.

The following table contains an analysis of investment securities by credit quality based on credit risk grades. Refer to Note 30 for the description of credit risk grading system used by the Bank and the approach to ECL measurement, including the definition of default and SICR as applicable to investment securities.

The carrying amounts of investment securities at December 31, 2025 and 2024 below also represent the Bank's maximum exposure to credit risk on these assets:

	December 31, 2025	December 31, 2024
US treasury bonds		
- Excellent	1,360	3,468
Gross carrying amount	1,360	3,468
Credit loss allowance	-	-
Net carrying amount	1,360	3,468
Azerbaijan government bonds		
- Good	34,838	23,271
Gross carrying amount	34,838	23,271
Credit loss allowance	-	(38)
Net carrying amount	34,838	23,233
Corporate bonds		
- Good	4,450	2,618
Gross carrying amount	4,450	2,618
Credit loss allowance	-	(6)
Net carrying amount	4,450	2,612

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11. LOANS AND ADVANCES TO CUSTOMERS

Loans and advances to customers comprise:

	December 31, 2025	December 31, 2024
Gross carrying amount	551,961	509,942
Less credit loss allowance	(16,251)	(10,351)
Total loans and advances to customers	535,710	499,591

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

	December 31, 2025			December 31, 2024		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
<i>Loans to corporate customers</i>						
Corporate loans	101,422	(3,013)	98,409	112,668	(2,260)	110,408
<i>Loans to individuals</i>						
Consumer loans	229,683	(12,121)	217,562	224,053	(7,237)	216,816
Mortgage loans	119,250	(564)	118,686	108,838	(228)	108,610
Micro-business loans	101,606	(553)	101,053	64,383	(626)	63,757
Total loans and advances to customers	551,961	(16,251)	535,710	509,942	(10,351)	499,591

Included in loans and advances to customers in the amount of AZN 5,710 and AZN 4,853 as at December 31, 2025 and 2024, respectively is accrued interest receivable.

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The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers between the beginning and the end of the reporting and comparative periods:

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans to customers								
At January 1, 2025	4,141	3,588	2,622	10,351	491,200	12,880	5,862	509,942
Transfers to Stage 1	59	(49)	(10)	-	450	(172)	(278)	-
Transfers to Stage 2	(4,447)	4,451	(4)	-	(23,840)	23,888	(48)	-
Transfers to Stage 3	(3,024)	(4)	3,028	-	(11,977)	(1,616)	13,593	-
New assets originated or purchased	9,068	-	-	9,068	494,079	-	-	494,079
Net remeasurement/assets repaid	2,582	(3,986)	1,714	310	(435,288)	(11,018)	(3,443)	(449,750)
Net change in accrued interest	-	-	-	-	(161)	11	1,925	1,775
Unwinding of discount	-	-	535	535	-	-	-	-
Transfer to foreclosed property	-	-	-	-	-	-	(72)	(72)
Write-offs	-	-	(8,522)	(8,522)	-	-	(8,522)	(8,522)
Recovery of previously written-off loans	-	-	4,509	4,509	-	-	4,509	4,509
At December 31, 2025	8,379	4,000	3,872	16,251	514,462	23,973	13,528	551,961

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans to customers								
At January 1, 2024	2,560	527	3,264	6,351	408,424	6,904	5,999	419,327
Transfers to Stage 1	280	(203)	(77)	-	1,860	(1,718)	(142)	-
Transfers to Stage 2	(2,788)	2,917	(129)	-	(11,629)	11,778	(149)	-
Transfers to Stage 3	(213)	(73)	286	-	(2,478)	(696)	3,174	-
New assets originated or purchased	5,961	-	-	5,961	316,924	379	398	317,701
Net remeasurement/assets repaid	(1,659)	420	1,389	160	(219,580)	(3,884)	(1,307)	(224,771)
Net change in accrued interest	-	-	-	-	(321)	117	10	(194)
Unwinding of discount	-	-	66	66	-	-	66	66
Write-offs	-	-	(5,455)	(5,455)	-	-	(5,455)	(5,455)
Recovery of previously written-off loans	-	-	3,268	3,268	-	-	3,268	3,268
At December 31, 2024	4,141	3,588	2,622	10,351	491,200	12,880	5,862	509,942

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	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate loans								
At January 1, 2025	846	337	1,077	2,260	107,244	2,288	3,136	112,668
Transfers to Stage 1	6	(4)	(2)	-	-	-	-	-
Transfers to Stage 2	(613)	613	-	-	(3,998)	3,998	-	-
Transfers to Stage 3	(1,386)	-	1,386	-	(2,624)	(1,042)	3,656	-
New assets originated or purchased	1,264	-	-	1,264	142,675	-	-	142,675
Net remeasurement/assets repaid	782	(361)	(560)	(139)	(149,614)	(1,200)	(2,813)	(153,628)
Net change in accrued interest	-	-	-	-	(75)	(29)	507	403
Unwinding of discount	-	-	324	324	-	-	-	-
Write-offs	-	-	(1,370)	(1,370)	-	-	(1,370)	(1,370)
Recovery of previously written-off loans	-	-	674	674	-	-	674	674
At December 31, 2025	899	585	1,529	3,013	93,617	4,015	3,790	101,422

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate loans								
At January 1, 2024	973	228	758	1,959	93,951	3,198	2,017	99,166
Transfers to Stage 1	93	(93)	-	-	469	(469)	-	-
Transfers to Stage 2	(125)	180	(55)	-	(2,044)	2,083	(39)	-
Transfers to Stage 3	(39)	(47)	86	-	(848)	(324)	1,172	-
New assets originated or purchased	783	-	-	783	83,050	52	136	83,238
Net remeasurement/assets repaid	(839)	69	31	(739)	(67,221)	(2,294)	(345)	(69,860)
Net change in accrued interest	-	-	-	-	(113)	42	(62)	(133)
Unwinding of discount	-	-	12	12	-	-	12	12
Write-offs	-	-	(568)	(568)	-	-	(568)	(568)
Recovery of previously written-off loans	-	-	813	813	-	-	813	813
At December 31, 2024	846	337	1,077	2,260	107,244	2,288	3,136	112,668

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	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Consumer loans								
At January 1, 2025	2,683	3,244	1,310	7,237	211,723	10,352	1,978	224,053
Transfers to Stage 1	49	(42)	(7)	-	38	(38)	(1)	-
Transfers to Stage 2	(3,805)	3,809	(4)	-	(15,737)	15,737	-	-
Transfers to Stage 3	(1,427)	(4)	1,431	-	(7,218)	(574)	7,792	-
New assets originated or purchased	7,462	-	-	7,462	248,156	-	-	248,156
Net remeasurement/assets repaid	1,748	(3,636)	2,998	1,110	(230,515)	(9,722)	(27)	(240,264)
Net change in accrued interest	-	-	-	-	5	49	1,580	1,634
Unwinding of discount	-	-	208	208	-	-	-	-
Write-offs	-	-	(6,936)	(6,936)	-	-	(6,936)	(6,936)
Recovery of previously written-off loans	-	-	3,040	3,040	-	-	3,040	3,040
At December 31, 2025	6,710	3,371	2,040	12,121	206,453	15,804	7,426	229,683

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Consumer loans								
At January 1, 2024	1,144	246	2,211	3,601	184,824	2,625	3,208	190,657
Transfers to Stage 1	95	(82)	(13)	-	675	(662)	(13)	-
Transfers to Stage 2	(2,662)	2,717	(55)	-	(9,384)	9,463	(69)	-
Transfers to Stage 3	(172)	(23)	195	-	(1,210)	(236)	1,446	-
New assets originated or purchased	4,789	-	-	4,789	170,321	138	238	170,697
Net remeasurement/assets repaid	(511)	386	1,491	1,366	(133,320)	(1,050)	(402)	(134,772)
Net change in accrued interest	-	-	-	-	(173)	74	89	(10)
Unwinding of discount	-	-	49	49	-	-	49	49
Write-offs	-	-	(4,636)	(4,636)	-	-	(4,636)	(4,636)
Recovery of previously written-off loans	-	-	2,068	2,068	-	-	2,068	2,068
At December 31, 2024	2,683	3,244	1,310	7,237	211,723	10,352	1,978	224,053

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	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Mortgage loans</i>								
At January 1, 2025	82	-	146	228	108,172	179	487	108,838
Transfers to Stage 1	3	(2)	(1)	-	411	(134)	(277)	-
Transfers to Stage 2	(28)	28	-	-	(3,296)	3,344	(48)	-
Transfers to Stage 3	(175)	-	175	-	(1,175)	-	1,175	-
New assets originated or purchased	32	-	-	32	19,899	-	-	19,899
Net remeasurement/assets repaid	345	15	(57)	303	(9,322)	(58)	(177)	(9,557)
Net change in accrued interest	-	-	-	-	55	14	1	70
Unwinding of discount	-	-	1	1	-	-	-	-
At December 31, 2025	259	41	264	564	114,744	3,345	1,161	119,250

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>Mortgage loans</i>								
At January 1, 2024	75	19	131	225	100,865	761	298	101,924
Transfers to Stage 1	76	(12)	(64)	-	625	(496)	(129)	-
Transfers to Stage 2	-	-	-	-	(139)	139	-	-
Transfers to Stage 3	-	(3)	3	-	(282)	(136)	418	-
New assets originated or purchased	24	-	-	24	15,073	179	10	15,262
Net remeasurement/assets repaid	(93)	(4)	70	(27)	(7,953)	(269)	(124)	(8,346)
Net change in accrued interest	-	-	-	-	(17)	1	8	(8)
Unwinding of discount	-	-	6	6	-	-	6	6
At December 31, 2024	82	-	146	228	108,172	179	487	108,838

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	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Micro-business loans								
At January 1, 2025	530	7	89	626	64,061	61	261	64,383
Transfers to Stage 1	1	(1)	-	-	-	-	-	-
Transfers to Stage 2	(1)	1	-	-	(809)	809	-	-
Transfers to Stage 3	(36)	-	36	-	(970)	-	970	-
New assets originated or purchased	310	-	-	310	83,349	-	-	83,349
Net remeasurement/assets repaid	(293)	(4)	(667)	(984)	(45,837)	(38)	(470)	(46,345)
Net change in accrued interest	-	-	-	-	(146)	(23)	(119)	(288)
Unwinding of discount	-	-	2	2	-	-	-	-
Transfer to foreclosed property	-	-	-	-	-	-	(72)	(72)
Write-offs	-	-	(216)	(216)	-	-	(216)	(216)
Recovery of previously written-off loans	-	-	795	795	-	-	795	795
At December 31, 2025	511	3	39	553	99,648	809	1,149	101,606

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Micro-business loans								
At January 1, 2024	368	34	164	566	26,784	320	476	27,580
Transfers to Stage 1	16	(16)	-	-	91	(91)	-	-
Transfers to Stage 2	(1)	20	(19)	-	(52)	93	(41)	-
Transfers to Stage 3	(2)	-	2	-	(138)	-	138	-
New assets originated or purchased	365	-	-	365	48,480	10	14	48,504
Net remeasurement/assets repaid	(216)	(31)	(193)	(440)	(11,086)	(271)	(436)	(11,793)
Net change in accrued interest	-	-	-	-	(18)	-	(25)	(43)
Unwinding of discount	-	-	(1)	(1)	-	-	(1)	(1)
Write-offs	-	-	(251)	(251)	-	-	(251)	(251)
Recovery of previously written-off loans	-	-	387	387	-	-	387	387
At December 31, 2024	530	7	89	626	64,061	61	261	64,383

The credit loss allowance for loans and advances to customers recognized in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 30. Below main movements in the table are described:

- Transfers between Stage 1, 2 and 3 due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments derecognized in the period;
- Write-offs of allowances related to assets that were written off during the period.

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The following table contains an analysis of the credit risk exposure of loans and advances to customers and for which an ECL allowance is recognized. The carrying amount of loans and advances to customers below also represents the Bank’s maximum exposure to credit risk on these loans.

The credit quality of loans and advances to customers is as follows at December 31, 2025:

	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Less than 30 days	93,617	3,418	482	97,517
30 to 90 days overdue	-	597	306	903
91-180 days overdue	-	-	621	621
181 to 360 days overdue	-	-	848	848
Over 360 days overdue	-	-	1,533	1,533
Gross carrying amount	93,617	4,015	3,790	101,422
Credit loss allowance	(899)	(585)	(1,529)	(3,013)
Net carrying amount	92,718	3,430	2,261	98,409
Consumer loans				
Less than 30 days	206,453	12,974	398	219,825
30 to 90 days overdue	-	2,830	430	3,260
91-180 days overdue	-	-	3,427	3,427
181 to 360 days overdue	-	-	2,704	2,704
Over 360 days overdue	-	-	487	487
Gross carrying amount	206,453	15,804	7,426	229,683
Credit loss allowance	(6,710)	(3,371)	(2,040)	(12,121)
Net carrying amount	199,743	12,433	5,386	217,562
Mortgage loans				
Less than 30 days	114,744	-	-	114,744
30 to 90 days overdue	-	3,345	-	3,345
91-180 days overdue	-	-	1,161	1,161
181 to 360 days overdue	-	-	-	-
Gross carrying amount	114,744	3,345	1,161	119,250
Credit loss allowance	(259)	(41)	(264)	(564)
Net carrying amount	114,485	3,304	897	118,686
Micro-business loans				
Less than 30 days	99,648	385	184	100,217
30 to 90 days overdue	-	424	18	442
91-180 days overdue	-	-	546	546
181 to 360 days overdue	-	-	222	222
Over 360 days overdue	-	-	179	179
Gross carrying amount	99,648	809	1,149	101,606
Credit loss allowance	(511)	(3)	(39)	(553)
Net carrying amount	99,137	806	1,110	101,053

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The credit quality of loans and advances to customers is as follows at December 31, 2024:

	Stage 1	Stage 2	Stage 3	Total
Corporate loans				
Less than 30 days	107,244	233	1,256	108,733
30 to 90 days overdue	-	2,055	483	2,538
91-180 days overdue	-	-	286	286
181 to 360 days overdue	-	-	577	577
Over 360 days overdue	-	-	534	534
Gross carrying amount	107,244	2,288	3,136	112,668
Credit loss allowance	(846)	(337)	(1,077)	(2,260)
Net carrying amount	106,398	1,951	2,059	110,408
Consumer loans				
Less than 30 days	211,723	7,128	288	219,119
30 to 90 days overdue	-	3,224	24	3,248
91-180 days overdue	-	-	112	112
181 to 360 days overdue	-	-	1,184	1,184
Over 360 days overdue	-	-	390	390
Gross carrying amount	211,723	10,352	1,978	224,053
Credit loss allowance	(2,683)	(3,244)	(1,310)	(7,237)
Net carrying amount	209,040	7,108	668	216,816
Mortgage loans				
Less than 30 days	108,172	-	-	108,172
30 to 90 days overdue	-	179	-	179
91-180 days overdue	-	-	250	250
181 to 360 days overdue	-	-	237	237
Gross carrying amount	108,172	179	487	108,838
Credit loss allowance	(82)	-	(146)	(228)
Net carrying amount	108,090	179	341	108,610
Micro-business loans				
Less than 30 days	64,061	9	-	64,070
30 to 90 days overdue	-	52	133	185
91-180 days overdue	-	-	45	45
181 to 360 days overdue	-	-	-	-
Over 360 days overdue	-	-	83	83
Gross carrying amount	64,061	61	261	64,383
Credit loss allowance	(530)	(7)	(89)	(626)
Net carrying amount	63,531	54	172	63,757

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Economic sector risk concentrations within the customer loan portfolio are as follows:

	2025		2024	
	Amount	%	Amount	%
Individuals	338,819	63.24	330,556	66.17
Trade and services	139,275	26.00	129,107	25.84
Agriculture and food processing	29,752	5.55	14,543	2.91
Manufacturing	22,849	4.27	18,026	3.61
Real estate	3,832	0.72	4,817	0.96
Construction	1,183	0.22	1,393	0.28
Energy	-	0.00	1,149	0.23
Total loans and advances to customers	535,710	100.00	499,591	100.00

As at December 31, 2025 and 2024 the Bank had no single borrowers with outstanding loan balance above 10% of total capital (Note 33).

In accordance with the Central Bank of the Republic of Azerbaijan requirements, loans may only be written off with the approval of the Board of Directors and, in certain cases, with the respective decision of the Court.

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the expected credit losses.

The Bank's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period.

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Description of collateral held for loans and advances to customers is as follows at December 31, 2025:

	Corporate loans	Consumer loans	Mortgage loans	Micro- business loans	Total
Residential real estate	47,165	602	118,586	40,699	207,052
Cash deposits	-	5,470	-	-	5,470
Other assets	32,759	41,700	-	26,654	101,113
Total	79,924	47,772	118,586	67,353	313,635
Unsecured exposures*	18,485	169,790	100	33,700	222,075
Total loans and advances to customers (amount representing exposure to credit risk for each class of loans and advances)	98,409	217,562	118,686	101,053	535,710

Description of collateral held for loans and advances to customers is as follows at December 31, 2024:

	Corporate loans	Consumer loans	Mortgage loans	Micro- business loans	Total
Residential real estate	88,654	947	108,610	32,448	230,659
Cash deposits	423	4,035	-	90	4,548
Other assets	7,055	24,851	-	3,557	35,463
Total	96,132	29,833	108,610	36,095	270,670
Unsecured exposures*	14,276	188,983	-	27,662	228,921
Total loans and advances to customers (amount representing exposure to credit risk for each class of loans and advances)	110,408	216,816	108,610	63,757	499,591

* Collateralized loans by third-party guarantees are included in unsecured exposures.

Other assets mainly include a car, equipment and precious metals. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

The extent to which collateral and other credit enhancements mitigate credit risk for loans and advances to customers that are credit-impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset (“over-collateralized assets”) and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset (“under-collateralized assets”).

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The effect of collateral at December 31, 2025 is presented for all loans in Stage 3 as follows:

	Over-collateralized assets		Under-collateralized assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
<i>Loans to corporate customers</i>				
Corporate loans	1,960	9,739	301	171
<i>Loans to individuals</i>				
Consumer loans	107	296	5,279	20
Mortgage loans	622	934	275	272
Micro-business loans	457	1,587	653	313
Total	3,146	12,556	6,508	776

The effect of collateral at December 31, 2024 is presented for all loans in Stage 3 as follows:

	Over-collateralized assets		Under-collateralized assets	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
<i>Loans to corporate customers</i>				
Corporate loans	1,585	9,245	474	214
<i>Loans to individuals</i>				
Consumer loans	21	242	647	9
Mortgage loans	341	741	-	-
Micro-business loans	163	568	9	-
Total	2,110	10,796	1,130	223

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12. PROPERTY AND EQUIPMENT

The movements in property and equipment were as follows:

	Computers and office equipment	Vehicles	Furniture and fixtures	Buildings	Leasehold improvements	Other fixed assets	Total
Cost							
January 1, 2024	6,370	2,099	12,667	652	7,088	544	31,420
Additions	482	-	320	-	129	23	954
Disposals	(160)	-	(273)	-	-	-	(433)
December 31, 2024	6,692	2,099	12,714	652	7,217	567	31,941
Additions	922	-	171	-	62	33	1,188
Disposals	(302)	-	(358)	-	-	(34)	(694)
December 31, 2025	9,312	2,099	12,527	652	7,279	566	32,435
Accumulated Depreciation							
January 1, 2024	(7,106)	(464)	(11,087)	(12)	(6,208)	(491)	(25,368)
Depreciation charge for the year	(443)	(356)	(456)	(12)	(257)	(19)	(1,543)
Elimination on disposals	159	-	-	-	-	-	159
December 31, 2024	(7,390)	(820)	(11,543)	(24)	(6,465)	(510)	(26,752)
Depreciation charge for the year	(766)	(396)	(472)	(16)	(340)	(26)	(2,016)
Elimination on disposals	297	-	358	-	-	34	689
December 31, 2025	(7,859)	(1,216)	(11,657)	(40)	(6,805)	(502)	(28,079)
Net book value							
December 31, 2024	1,302	1,279	1,171	628	752	57	5,189
December 31, 2025	1,453	883	870	612	474	64	4,356

As at December 31, 2025, property and equipment amounting to AZN 23,765 (December 31, 2024: AZN 22,865) were fully depreciated.

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Revaluation of vehicles

From December 13, 2013, the Bank has changed its accounting policy for measurement of vehicles to the revaluation model. The last revaluation was performed in April 2024, aiming to revalue vehicles as at December 31, 2023.

Fair value of the vehicles was determined by using market comparable method. This means that valuations performed by the valuator are based on market transaction prices, adjusted for difference in the nature, location or condition of the specific property. The valuation process for vehicles required certain assumptions to be made. The assumptions in the valuation process included considerations such as the estimated remaining useful life of the vehicles, potential obsolescence factors, and any known impairments. These assumptions were based on reliable and relevant information, historic data, and expert judgment.

As at December 31, 2025 and 2024, Management assessed whether there were any significant changes in the fair value of vehicles and concluded that the net book values did not materially differ from their fair values at the respective reporting dates.

13. INTANGIBLE ASSETS

The movements in intangible assets were as follows:

	Licenses	Computer software	Total
Cost			
January 1, 2024	1,972	5,280	7,252
Additions	-	12	12
December 31, 2024	1,972	5,292	7,264
Additions	24	-	24
December 31, 2025	1,996	5,292	7,288
Accumulated amortization			
January 1, 2024	(1,437)	(4,178)	(5,615)
Amortization charge for the year	(120)	(267)	(387)
December 31, 2024	(1,557)	(4,445)	(6,002)
Amortization charge for the year	(91)	(352)	(443)
December 31, 2025	(1,648)	(4,797)	(6,445)
Net book value			
December 31, 2025	348	495	843
December 31, 2024	415	847	1,262

As at December 31, 2025, intangible assets amounting to AZN 3,850 (2024: AZN 3,485) were fully amortized.

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14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The right-of-use assets by class of underlying items is analysed as follows:

	Office premises	Warehouse	Total
January 1, 2024	6,055	483	6,538
Additions	1,611	-	1,611
Modifications	250	-	250
Depreciation charge for the year	(1,648)	(142)	(1,790)
December 31, 2024	6,268	341	6,609
Modifications	2,904	12	2,916
Depreciation charge for the year	(2,439)	(160)	(2,599)
December 31, 2025	6,733	193	6,926

	December 31, 2025	December 31, 2024
Lease liabilities (current)	2,049	2,644
Lease liabilities (non-current)	3,471	3,264
Total lease liabilities	5,520	5,908

The Bank leases office premises and a warehouse. Rental contracts are typically made for fixed periods of 1 to 7 years.

Future minimum lease payments as at December 31, 2025 were as follows:

	Minimum lease payments		Total
	Within one year	One to seven years	
Lease payments	2,133	4,148	6,281
Finance charges	(84)	(677)	(761)
Net present value as at December 31, 2025	2,049	3,471	5,520

Future minimum lease payments as at December 31, 2024 were as follows:

	Minimum lease payments		Total
	Within one year	One to seven years	
Lease payments	2,914	4,180	7,094
Finance charges	(270)	(916)	(1,186)
Net present value as at December 31, 2024	2,644	3,264	5,908

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A reconciliation of the opening and closing amounts of lease liabilities with relevant cash and non-cash changes from financing activities is stated below:

	2025	2024
January 1	5,908	5,322
Changes from financing cash flows		
Repayments	(3,772)	(1,856)
Other changes		
New leases	-	1,611
Modifications	2,916	250
Interest expense	468	581
December 31	5,520	5,908

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as collateral for borrowings.

Extension options. Some leases of office premises and branches contain extension options exercisable by the Bank up to one year before the end of non-cancellable contract period. Where practicable, the Bank seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Bank and not by lessors. The Bank assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Bank reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Expenses relating to short-term leases and to leases of low-value assets are included in general and administrative expenses:

	December 31, 2025	December 31, 2024
Expense relating to short-term leases	389	405
Expense relating to leases of low-value assets	260	667
Total expenses relating to short-term and low-value leases	649	1,072

15. OTHER ASSETS AND LIABILITIES

Other assets comprise:

	December 31, 2025	December 31, 2024
Other financial assets		
Funds in settlement	6,698	5,707
Receivable from intermediaries	1,427	1,405
	8,125	7,112
Other non-financial assets		
Prepayments for services	2,596	1,707
Prepayments for purchase of property and equipment	596	556
Prepayments for purchase of intangible assets	28	48
	3,220	2,311
Total other assets	11,345	9,423

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

Other liabilities comprise:

	December 31, 2025	December 31, 2024
Other financial liabilities		
Funds in settlement	8,376	4,483
Accrued expenses	1,072	311
Payables for purchase of property and equipment	207	522
	9,655	5,316
Other non-financial liabilities		
Payable to employees	1,577	2,596
Payables to the State Social Protection Fund	839	1,003
Taxes payable	309	189
Provision for credit-related commitments	128	233
	2,853	4,021
Total other liabilities	12,508	9,337

16. AMOUNTS DUE TO FINANCIAL INSTITUTIONS

Amounts due to financial institutions comprise:

	December 31, 2025	December 31, 2024 (reclassified)
Time deposits	45,468	55,082
Current accounts	1,870	1,982
Total amounts due to financial institutions	47,338	57,064

As at December 31, 2025 time deposits of amounts due to financial institutions include placements by non-resident banks (December 31, 2024: 1 bank).

Included in amounts due to financial institutions in the amount of AZN 2,021 and AZN 1,422 as at December 31, 2025 and 2024, respectively is accrued interest payable.

17. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	December 31, 2025	December 31, 2024 (reclassified)
Time deposits	223,317	160,014
Current accounts	88,081	104,319
Total amounts due to customers	311,398	264,333

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As at December 31, 2025, time deposits were amounts due to customers with annual interest rates of 1.5 to 12% (December 31, 2024: 1.5 to 12%) and maturing through 2028 (December 31, 2024: maturing through 2027).

As at December 31, 2025, amounts due to customers of AZN 19,899 or 6% (December 31, 2024: AZN 14,141 or 5%) of total amounts due to customers were amounts due to the 10 largest customers.

Included in amounts due to customers in the amount of AZN 17,644 and AZN 11,904 as at December 31, 2025 and 2024, respectively are deposits blocked as collateral for loans issued.

Included in amounts due to customers in the amount of AZN 7,513 and AZN 3,689 as at December 31, 2025 and 2024, respectively is accrued interest payable.

Amounts due to customers include accounts with the following types of customers:

	December 31, 2025	December 31, 2024
Individuals	264,483	204,983
Private enterprises	36,990	45,282
Individual entrepreneurs	9,438	9,334
State and budgetary organizations	487	4,734
Total amounts due to customers	311,398	264,333

Economic sector concentrations within amounts due to customers are as follows:

	December 31, 2025	December 31, 2024
Individuals	264,483	204,983
Trade and services	26,728	36,375
Individual entrepreneurs	9,473	9,334
Transportation and communication	4,410	5,853
Industrial and manufacturing	2,710	3,067
Construction	1,180	1,103
Agriculture	918	1,047
State organizations	806	553
Energy	43	236
Others	589	1,782
Total amounts due to customers	311,398	264,333

18. BORROWED FUNDS

	December 31, 2025	December 31, 2024
Azerbaijan Mortgage and Credit Guarantee Fund	117,270	107,200
Business Development Fund of the Republic of Azerbaijan	37,437	27,627
The Agrarian Credit and Development Agency	2,431	1,851
Total borrowed funds	157,138	136,678

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) *(in thousands of AZN, unless otherwise indicated)*

As at December 31, 2025 the Bank had loans borrowed from Azerbaijan Mortgage and Credit Guarantee Fund, Business Development Fund of the Republic of Azerbaijan and the Agrarian Credit and Development Agency under the Ministry of Agriculture amounting to AZN 117,270 (December 31, 2024: AZN 107,200), AZN 37,437 (December 31, 2024: AZN 27,627), AZN 2,431 (December 31, 2024: AZN 1,851) maturing through April 2055, March 2031, April 2030 (December 31, 2024: August 2053, December 2028, November 2028) and bearing annual interest rates of 1 to 4%, 1 to 2%, 2 to 3.6% (December 31, 2024: 1 to 4%, 1 to 2%, 2 to 3.6%), respectively.

The Management believes that there are no other financial instruments similar to borrowed funds from Azerbaijan Mortgage and Credit Guarantee Fund, Business Development Fund of the Republic of Azerbaijan and the Agrarian Credit and Development Agency under the Ministry of Agriculture and considers this market as a separate market.

Included in borrowed funds in the amount of AZN 471 and AZN 320 as at December 31, 2025 and 2024, respectively is accrued interest payable.

	2025	2024
January 1	136,678	123,696
Cash flows		
Proceeds	45,257	32,843
Repayment	(24,948)	(20,221)
Interest paid	(3,891)	(3,136)
Non-cash changes		
Interest expense	4,042	3,496
December 31	157,138	136,678

19. REPURCHASE AGREEMENTS WITH FINANCIAL INSTITUTIONS

Repurchase agreements with financial institutions comprise:

	December 31, 2025	December 31, 2024
Repurchase agreements with financial institutions	-	11,695
Total repurchase agreements with financial institutions	-	11,695

As at December 31, 2025, the Bank had no repurchase agreements outstanding (December 31, 2024: at interest rates 6.25 to 6.9% at the Baku Stock Exchange). Accordingly, no amounts were payable under repurchase agreements as at December 31, 2025 (December 31, 2024: AZN 11,695).

The Bank pledged investment securities as collateral that it was not allowed to sell or repledge. Refer to Note 10.

As at December 31, 2025, the fair value of financial assets pledged as collateral under repurchase agreements amounted to nil (December 31, 2024: AZN 11,656).

Included in repurchase agreements with financial institutions in the amount of nil and AZN 57 as at December 31, 2025 and 2024, respectively is accrued interest payable.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) *(in thousands of AZN, unless otherwise indicated)*

20. DIVIDENDS PAYABLE TO THE SHAREHOLDERS AND SHARE CAPITAL

	Number of outstanding shares	Ordinary shares	Total
At January 1, 2024	305,256	112,545	112,545
At December 31, 2024	305,256	112,545	112,545
At December 31, 2025	305,256	112,545	112,545

As at December 31, 2025, the number of issued and fully paid ordinary shares is 305,256 (December 31, 2024: 305,256).

The share capital of the Bank was contributed by the shareholders in AZN, and they are entitled to dividends and any capital distribution in AZN.

	2025	2024
January 1	-	5,462
Dividends declared	19,774	3,202
Dividends paid	(10,814)	(8,664)
December 31	8,960	-

21. INTEREST INCOME AND EXPENSE

Interest income and expense comprise:

	December 31, 2025	December 31, 2024 (reclassified)
Interest income calculated using the effective interest method		
Loans and advances to customers	77,989	64,217
Investment securities	2,734	2,411
Cash and cash equivalents	797	773
Amounts due from financial institutions	320	115
Guarantees issued	249	260
Total interest income	82,089	67,776
Interest expense calculated using the effective interest method		
Amounts due to customers	(20,952)	(11,905)
Amounts due to financial institutions	(4,384)	(3,638)
Borrowed funds	(4,042)	(3,496)
Lease liabilities	(468)	(581)
Repurchase agreements with financial institutions	(177)	(816)
Total interest expense	(30,023)	(20,436)
Net interest income	52,066	47,340

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

22. RECOVERY/(CHARGE) OF EXPECTED CREDIT LOSSES

The movements in charge of expected credit losses on financial assets were as follows:

	December 31, 2025	December 31, 2024
Loans and advances to customers	(9,376)	(6,121)
Investment securities	44	42
Total charge of expected credit losses on financial assets	(9,334)	(6,079)

The movements in recovery/(charge) of expected credit losses on credit-related commitments were as follows:

	December 31, 2025	December 31, 2024
Undrawn loan commitments	108	(128)
Guarantees issued	(3)	32
Total recovery/(charge) of expected credit losses on credit-related commitments	105	(96)

Provisions for guarantees and undrawn loan commitments are recorded in other liabilities (Note 15). For the breakdown of total credit-related commitments and credit quality disclosure refer to Note 28.

23. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	December 31, 2025	December 31, 2024 (reclassified)
Fee and commission income		
Plastic card operations	7,177	7,670
Settlement operations	4,143	4,039
Cash operations	3,357	3,184
Foreign currency operations	1,071	1,281
Others	204	209
Total fee and commission income	15,952	16,383
Fee and commission expense		
Plastic card operations	(9,831)	(9,393)
Settlement operations	(924)	(1,107)
Cash operations	(54)	(51)
Others	(86)	(101)
Total fee and commission expense	(10,895)	(10,652)
Net fee and commission income	5,057	5,731

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) *(in thousands of AZN, unless otherwise indicated)*

24. PERSONNEL EXPENSES

Personnel expenses comprise:

	December 31, 2025	December 31, 2024
Salaries and bonuses	(20,205)	(19,402)
Social security costs	(3,926)	(3,502)
Other employment costs	(485)	(321)
Total personnel expenses	(24,616)	(23,225)

25. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise:

	December 31, 2025	December 31, 2024
Depreciation and amortization expense	(5,058)	(3,720)
Software costs	(2,443)	(2,078)
Accrual to Azerbaijan Deposit Insurance Fund	(1,744)	(1,336)
Marketing and advertising expenses	(1,604)	(1,805)
Security expenses	(1,003)	(967)
Communication expenses	(820)	(641)
Repair and maintenance expenses	(781)	(665)
Occupancy and rent expenses	(649)	(1,072)
Legal and consultancy expenses	(491)	(455)
Printing and office supplies expenses	(477)	(496)
Utility expenses	(203)	(190)
Vehicle running costs	(153)	(154)
Taxes other than income tax	(144)	(152)
Business travel and related expenses	(124)	(197)
Other expenses	(404)	(792)
Total general and administrative expenses	(16,098)	(14,720)

26. TAXATION

Income tax expense comprises:

	December 31, 2025	December 31, 2024
Current income tax expense	(2,411)	(3,084)
Deferred income tax benefit	317	274
Total income tax expense	(2,094)	(2,820)

Azerbaijani legal entities have to file individual corporate income tax declarations. Standard corporate income tax rate is 20% for the years ended December 31, 2025 and 2024.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued)**
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Reconciliation of effective income tax rate for the years ended December 31, 2025 and 2024 is as follows:

	December 31, 2025	December 31, 2024
Profit before income tax	10,218	13,780
Income tax at the applicable income tax rate	(2,044)	(2,756)
Non-deductible expenses	(50)	(64)
Total income tax expense	(2,094)	(2,820)

Deferred income tax assets and liabilities and their movements for the respective years comprise:

	January 1, 2025	Credited to profit or loss	December 31, 2025
Tax effect of deductible/(taxable) temporary differences			
Property and equipment	2,353	(249)	2,104
Lease liabilities	1,181	(321)	860
Intangible assets	279	88	367
Other assets	872	176	1,048
Right-of-use assets	(1,322)	520	(802)
Foreclosed property	(252)	(3)	(255)
Loans and advances to customers	(503)	382	(121)
Investment securities	31	(76)	(45)
Other liabilities	(370)	(200)	(570)
Net deferred income tax asset	2,269	317	2,586

	January 1, 2024	Credited to profit or loss	December 31, 2024
Tax effect of deductible/(taxable) temporary differences			
Property and equipment	2,557	(204)	2,353
Lease liabilities	1,065	116	1,181
Intangible assets	279	-	279
Investment securities	39	(8)	31
Other assets	787	85	872
Right-of-use assets	(1,680)	358	(1,322)
Loans and advances to customers	(351)	(152)	(503)
Foreclosed property	(252)	-	(252)
Other liabilities	(449)	79	(370)
Net deferred income tax asset	1,995	274	2,269

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) *(in thousands of AZN, unless otherwise indicated)*

27. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Bank by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share. Earnings per share are calculated as follows:

	December 31, 2025	December 31, 2024
Net profit for the year attributable to ordinary shareholders	8,124	10,960
Weighted average number of ordinary shares in issue (thousands)	305	305
Basic and diluted earnings per ordinary share (expressed in AZN per share)	26.64	35.93

28. COMMITMENTS AND CONTINGENCIES

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

Taxation. The taxation system in Azerbaijan is prone to frequent changes in legislation. Official interpretations and rulings of the ambiguous tax law provisions are not made public and are often unclear, contradictory and open to various interpretations. Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines and interest charges. A tax year generally remains open for review by the tax authorities for three subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Compliance with the Central Bank of the Republic of Azerbaijan ratios

The CBAR requires banks to maintain certain prudential ratios computed based on statutory financial statements. Management believes that the Bank was in compliance with these ratios as at December 31, 2025 and 2024 (Note 33).

Credit-related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments if a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

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The Bank monitors the term to maturity of credit-related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit-related commitments are as follows:

	December 31, 2025	December 31, 2024
Credit-related commitments		
Undrawn loan commitments	17,434	18,002
Guarantees issued	7,936	9,152
Total	25,370	27,154
Less: provisions for credit-related commitments (Note 15)	(128)	(233)
Total credit-related commitments, net of provision	25,242	26,921

As at December 31, 2025 and 2024 all credit-related commitments are at Stage 1.

Insurance. The Bank has not currently obtained insurance coverage related to liabilities arising from errors or omissions.

29. SEGMENT ANALYSIS

The segment information allows users of its financial statements to evaluate the nature and financial effects of the business activities in which an entity engages and the economic environments in which it operates. The Bank prepares its segment information in accordance with the “management approach”, which requires presentation of the segments on the basis of the internal reports about components of the entity which are regularly reviewed by the chief operating decision maker. It follows the organizational structure, which is the basis for assessing the financial performance of the business segments and for allocating resources to the business segments. This matter is regulated by IFRS 8 Operating Segments and other standards that require special disclosures in the form of segmental reporting.

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

- Corporate banking – direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Retail banking – individual banking services, customer current accounts, savings, deposits, investment savings, credit and debit cards, consumer loans and mortgages.
- Treasury – interbank lending and borrowings, securities trading, foreign exchange services and other treasury functions.

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income taxes are also managed on a segment basis and are allocated to operating segments. Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

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The following table presents income and profit information regarding the operating segments of the Bank for the year ended December 31, 2025:

	Notes	Retail banking	Corporate banking	Treasury	Unallocated	Total
Interest income	21, 32	67,859	10,379	3,851	-	82,089
Interest expense	21, 32	(23,876)	(1,016)	(5,131)	-	(30,023)
Net interest income/(loss)	21	43,983	9,363	(1,280)	-	52,066
Recovery/(charge) of expected credit losses on financial assets	22	(9,446)	48	64	-	(9,334)
Net interest income/(loss)		34,537	9,411	(1,216)	-	42,732
Fee and commission income	23, 32	11,605	4,347	-	-	15,952
Gains less losses from trading in foreign currencies		1,824	278	103	-	2,205
Other income, net		165		1,031	-	1,196
Non-interest income		13,593	4,628	1,134	-	19,353
Fee and commission expense	23, 32	(9,831)	(924)	(140)	-	(10,895)
Net loss from foreign currency translation differences		-	-	(12)	-	(12)
Personnel expenses	24, 32	(6,197)	(3,722)	(407)	(14,290)	(24,616)
General and administrative expenses	25	-	-	-	(16,098)	(16,098)
Change in fair value of foreclosed property		(351)	-	-	-	(351)
Recovery of ECL on credit-related commitments	22	74	25	6	-	105
Non-interest expenses		(16,305)	(4,621)	(553)	(30,388)	(51,867)
Profit/(loss) before income tax		31,825	9,426	(635)	(30,388)	10,218
Income tax (expense)/benefit	26	(6,522)	(1,930)	130	6,228	(2,094)
NET PROFIT/(LOSS) FOR THE YEAR		25,303	7,486	(505)	(24,160)	8,124
Total assets		552,776	84,547	31,370	-	668,693
Total liabilities		448,758	68,637	25,467	-	542,862

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The following table presents income and profit information regarding the operating segments of the Bank for the year ended December 31, 2024:

	Notes	Retail banking	Corporate banking	Treasury	Unallocated	Total
Interest income	21, 32	55,808	8,669	3,299	-	67,776
Interest expense	21, 32	(14,398)	(334)	(5,704)	-	(20,436)
Net interest income/(loss)	21	41,410	8,335	(2,405)	-	47,340
Recovery/(charge) of expected credit losses on financial assets	22	(6,152)	31	42	-	(6,079)
Net interest income/(loss)		35,258	8,366	(2,363)	-	41,261
Fee and commission income	23, 32	11,875	4,508	-	-	16,383
Gains less losses from trading in foreign currencies		2,213	545	208	-	2,966
Other income, net		884	-	1,044	-	1,928
Non-interest income		14,972	5,053	1,252	-	21,277
Fee and commission expense	23, 32	(9,393)	(1,107)	(152)	-	(10,652)
Net loss from foreign currency translation differences		-	-	(65)	-	(65)
Personnel expenses	24, 32	(5,508)	(3,907)	(448)	(13,361)	(23,225)
General and administrative expenses	25	-	-	-	(14,720)	(14,720)
Recovery/(charge) of ECL on credit-related commitments	22	(77)	(21)	2	-	(96)
Non-interest expenses		(14,978)	(5,035)	(663)	(28,081)	(48,758)
Profit/(loss) before income tax		35,252	8,384	(1,774)	(28,081)	13,780
Income tax (expense)/benefit	26	(4,952)	174	564	1,394	(2,820)
NET PROFIT/(LOSS) FOR THE YEAR		30,300	8,558	(1,210)	(26,687)	10,960
Total assets		506,144	83,319	30,246	2,787	622,496
Total liabilities		399,030	62,283	23,702	-	485,015

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) *(in thousands of AZN, unless otherwise indicated)*

30. RISK MANAGEMENT

Introduction

Risk is inherent in the Bank's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's sustainability and profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit, liquidity, market and operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Bank.

The Assets and Liabilities Management Committee (“ALMC”)

The ALMC is responsible for the development and implementation of strategy and tools related to all aspects of financial management of the Bank.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management

The Risk Management Unit is responsible for implementing and maintaining risk-related procedures to ensure an independent control process.

Bank Treasury

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal Audit

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

Risk measurement and reporting systems. The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst-case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

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Monitoring and controlling risks are primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk-bearing capacity in relation to the aggregate risk exposure across all risk types and activities. Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. On a regular basis detailed reporting of industry and customer risks takes place.

Excessive risk concentration. Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action. The Bank actively uses collateral to reduce its credit risks.

Credit-related commitments risks. The Bank makes available to its customers guarantees which may require the Bank to make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies. The maximum exposure to credit risk for the components of the statement of financial position is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. For more details on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes.

Expected credit loss (ECL) is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by adjusting risk of default to the expectations on development of macroeconomic situation in future. ECL measurement is based on four components used by the Bank: Probability of Default (“PD”), Exposure at Default (“EAD”), Loss Given Default (“LGD”) and Discount Rate.

The ECL measurement for guarantees and loan commitments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is the amount of the commitment (“E”) in case of Stage 1 deals (sum of on- and off-balance exposures), and on-balance exposures as all commitment products are revocable within 30 days.

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Default definition and Stage 3 criteria. The Bank defines default and Stage 3 exposures as a situation when the exposure meets one or more of the following criteria:

- The loan was 90+ days overdue at any point within the considered time horizon;
- The loan was restructured less than 6 months prior to the considered date and became 31-90 days overdue;
- Any other relevant management information on default situation deterioration on the customer.

The Bank defines a bank in default and Stage 3 exposures as a situation when the exposures meet one or more of the following criteria:

- Any days past due;
- Any other relevant information available on borrower bankruptcy or default.

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

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

The level of ECL that is recognized in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognize interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Bank monitors whether that indicator continues to exist or has changed.

Leaving default status depends on curing period of 3 months from the moment when default triggers were removed. This logic has been determined based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

Staging. The level of ECL that is recognized in these financial statements depends on which stage was assigned to exposure from a three-stage model. A financial instrument that is not credit-impaired on initial recognition and its credit risk has not deteriorated significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a Stage 2 since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognize interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

Significant increase in credit risk. The assessment whether or not there has been a significant deterioration in credit risk (Stage 2) since initial recognition is performed on whole portfolio. The criteria used to identify Stage 2 are monitored and reviewed periodically for appropriateness by the Bank's Risk Management Department. The presumption, being that there has been significant deterioration in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

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The Bank considers a financial instrument to have experienced a Stage 2 when one or more of the following quantitative, qualitative or backstop criteria have been met:

For loans issued:

- 31-90 days overdue;
- Restructured loan;
- Debt-to-income ratio;
- Any other relevant management information on financial situation deterioration on the customer.

For interbank operations and bonds issued by the banks:

- Deteriorating change in external rating;
- Monitoring suggests borrower has financial difficulties.

If there is evidence that the Stage 2 criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Bank monitors whether that indicator continues to apply, or it is no longer valid.

Probability of default (PD). PD is an estimate of the likelihood of default to occur over a given time period. Estimated lifetime PD curve for every exposure is dependent on time, credit risk rating and segment. 12-month PD is calculated as part of lifetime PD curve. Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 month PDs over the life of the instrument. The Bank uses different statistical approaches depending on the segment and product type to calculate lifetime PDs and these are described below:

PDs for each segment of the bank loan book (corporate loans, retail loans and mortgages), also separately for loans in Stage 1 and Stage 2, were calculated on the basis of a migration matrixes analysis. As through-the-cycle (TTC) Default Rates manifest themselves over long enough period of time, the TTC PD were determined based on the historical data of loans with a curve-fitting approach divided to separate Days-past-due (DPD) buckets. Such long-term default curves were constructed with an observation window of one year, using data from December 1, 2015 to January 1, 2026. To calculate PDs, a Weibull distribution curve was fitted to every DPD bucket's observed default rates.

Point-in-time PD (PIT PD) was determined by forecasting PD based on an ARIMAX model which used historical default rates starting from December 1, 2015 to January 1, 2026 as dependent variable. A set of ARIMAX models of historical default rates on macroeconomic variables (with different lags) was built. Among the built models, the most suitable ones were selected, and the forecast based on them for the next 12 months was incorporated into PIT PD. Marginal PDs for 2nd and 3rd years were taken from Cumulative TTC PD estimates for 2- and 3-year periods.

External ratings. External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available. Such ratings and the corresponding range of PD are applied for the following financial instruments, amounts due from financial institutions, balances on correspondent accounts including overnight deposits and term deposits, investment securities.

Master scale credit risk grade	Corresponding ratings of external international rating agencies (Moody's)	Corresponding PD interval
Excellent	Aaa to Baa3	0.01% - 0.5%
Good	Ba1 to Ba3	0.51% - 1.88%
Satisfactory	B1, B3	1.88% - 6.93%
Special monitoring	Caa1+ to Ca	6.93% - 99.9%
Default	C	100%

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

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

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

Loss given default (LGD). LGD is an estimate of the loss arising on default.

The Bank uses 2 approaches to LGD calculation based on the availability of information and customer segment:

In LGD calculation for retail loans and corporate loans without information on their collateral the bank uses available information on historical recoveries from defaulted loans over 10 years period and performs roll rates vintage analysis. At the level of each defaulted loan its recoveries are discounted back to its default date at Effective Interest Rate of the defaulted loan. The recovery rates at each loan level are averaged across all defaulted loans to arrive at average recovery rates by months in default, hence LGD depending on how long a loan is in default status.

LGD for mortgage loans and secured corporate loans are calculated based on collateral value related to EAD of the loan. The value of the collateral is reduced (“haircut”) to reflect its value’s potential loss due to limited liquidity of the collateral. This LGD is taken into account deal-by-deal when calculating ECL, with a minimum floor of 30%.

Exposure at default (EAD). EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities.

For revolving products EAD is the sum of the off-balance amounts to an on-balance sheet exposure in case of Stage 1 deals. As all commitments can be revoked after 30 days past due, for Stage 2-3 deals, on-balance exposure was used.

The EADs are determined based on the expected payment profile that varies by product type. EAD is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis for amortising products and bullet repayment loans. This will also be adjusted for any expected overpayments made by a borrower. Early repayment or refinancing assumptions are also incorporated into the calculation. For revolving products, the EAD is predicted by taking the current drawn balance and adding a “credit conversion factor” that accounts for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics.

Macro-economic factors. FLI adjustment is based on an ARIMAX model indicators with the Bank's default rates. The Bank used monthly macroeconomic data since January 31, 2014, till December 31, 2025, and forecast data for 2026. Variables with the best correlation were selected and the following ones were used for modelling PIT PD:

The Bank used supportable forward-looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model. Only one scenario was built as there's no reliable future alternative scenario for Azerbaijan.

The most significant forward-looking assumptions that correlate with ECL level were as follows as at December 31, 2025:

Variable	Consumer and Mortgage loans	Corporate and Micro loans
GDP	YES	YES

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

The most significant forward-looking assumptions that correlate with ECL level were as follows as at December 31, 2024:

Variable	Consumer and Mortgage loans	Corporate and Micro loans
GDP	YES	YES

Point in time. The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates. The estimates consider supportable *forward-looking information*, that is, PD values are influenced by internal bank forecasts of key macroeconomic variables that have an impact on credit risk.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above and discounted to present value. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during appropriate time period (which depends on assigned stage) for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e., the exposure has been repaid or defaulted in an earlier month). This effectively calculates an ECL for each future period that is then discounted back to the reporting date and summed up.

Forward-looking information incorporated in the ECL models. The calculation of ECLs incorporates supportable forward-looking information. The Bank identified certain key economic variables that correlate with ECLs. Forecasts of economic variables (the "base economic scenario") are provided by the Bank and provide the best estimate of the expected macro-economic development over the next five years. The impact of the relevant economic variables on the PD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates.

As with economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected. The Bank considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Bank's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

Backtesting. The Bank regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed at least once a year. The results of backtesting the ECL measurement methodology are communicated to Bank Management and further steps for tuning models and assumptions are defined after discussions between authorized persons.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

Geographical risk concentrations. The geographical concentration of the Bank's financial assets and liabilities is set out below:

	December 31, 2025				December 31, 2024			
	Azerbaijan	OECD	Other countries	Total	Azerbaijan	OECD	Other countries	Total
Financial assets								
Cash and cash equivalents	28,895	14,494	1,708	45,097	46,371	3,739	1,550	51,660
Amounts due from financial institutions	17,344	2,087	-	19,411	12,726	1,990	-	14,716
Investment securities	39,288	1,360	-	40,648	25,845	3,468	-	29,313
Loans and advances to customers	535,710	-	-	535,710	499,591	-	-	499,591
Other financial assets	4,582	3,392	151	8,125	3,215	3,871	26	7,112
Total financial assets	625,819	21,313	1,859	648,991	587,748	13,068	1,576	602,382
Financial liabilities								
Amounts due to financial institutions	46,998	-	340	47,338	56,724	-	340	57,064
Amounts due to customers	311,398	-	-	311,398	264,331	-	2	264,333
Borrowed funds	157,138	-	-	157,138	136,678	-	-	136,678
Lease liabilities	5,520	-	-	5,520	5,908	-	-	5,908
Dividends payable to the shareholders	8,960	-	-	8,960	-	-	-	-
Repurchase agreements with financial institutions	-	-	-	-	11,695	-	-	11,695
Other financial liabilities	8,872	754	29	9,655	3,852	1,056	408	5,316
Total financial liabilities	538,886	754	369	540,009	479,188	1,056	750	480,994
Total net assets	86,933	20,559	1,490	108,982	108,560	12,012	826	121,398

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. The methodology of the liquidity management tools and reports is approved by the Board of Directors of the Bank, prepared by the Assets and Liabilities Management Department and reviewed on the monthly basis by the Asset Liabilities Committee.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains a cash deposit (mandatory reserve) with the CBAR, the amount of which depends on the level of customer funds attracted.

The Central Bank of the Republic of Azerbaijan has in place minimum levels of liquidity required. The liquidity position is assessed and managed by the Bank primarily on a standalone basis, based on minimum liquidity ratio of 30% established by the CBAR. As at December 31, 2025 and 2024, these ratios were as follows:

	<i>Requirement</i>	<i>2025 (%) Unaudited</i>	<i>2024 (%) Unaudited</i>
Instant liquidity ratio	Not less than 30%	62.8	50.7
Liquidity coverage ratio	Not less than 100%	140.0	109.2

Maturity analysis of financial assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled.

	<i>December 31, 2025</i>			<i>December 31, 2024</i>		
	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
Financial assets						
Cash and cash equivalents	45,097	-	45,097	51,660	-	51,660
Amounts due from financial institutions	15,186	4,226	19,411	12,728	1,990	14,716
Investment securities	36,699	3,949	40,648	11,842	17,471	29,313
Loans and advances to customers	237,397	298,313	535,710	189,307	310,284	499,591
Other financial assets	8,125	-	8,125	7,112	-	7,112
Total financial assets	342,504	306,487	648,991	272,647	329,745	602,392
Financial liabilities						
Amounts due to financial institutions	36,940	10,398	47,338	57,064	-	57,064
Amounts due to customers	259,529	51,869	311,398	208,779	55,554	264,333
Borrowed funds	7,129	150,009	157,138	6,202	130,476	136,678
Lease liabilities	2,049	3,471	5,520	2,644	3,264	5,908
Dividends payable to the shareholders	8,960	-	8,960	-	-	-
Repurchase agreements with financial institutions	-	-	-	11,695	-	11,695
Other financial liabilities	9,655	-	9,655	5,318	-	5,316
Total financial liabilities	324,262	215,747	540,009	291,700	189,294	480,994
Total net assets	18,242	90,740	108,982	(19,053)	140,451	121,398

“EXPRESSBANK” OPEN JOINT-STOCK COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

Management believes that in spite of a substantial portion of customer accounts matures within 1 year, diversification of these deposits by number and type of depositors and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank. Additionally, the management of the Bank is currently in the process of negotiating new maturities of the short-term customer accounts with the clients by offering favourable terms and conditions.

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Bank’s financial liabilities at December 31, 2025 and 2024 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank’s deposit retention history.

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

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total gross amount outflow	Carrying amount
Financial liabilities						
Amounts due to financial institutions	1,570	11,768	24,628	11,568	49,534	47,338
Amounts due to customers	151,479	106,817	68,573	-	326,869	311,398
Borrowed funds	1,113	2,908	16,196	176,209	196,426	157,138
Lease liabilities	494	1,639	4,112	36	6,281	5,520
Dividends payable to the shareholders	8,960	-	-	-	8,960	8,960
Other financial liabilities	9,655	-	-	-	9,655	9,655
Total undiscounted financial liabilities	173,271	123,132	113,509	187,813	597,725	540,009

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

	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total gross amount outflow	Carrying amount
Financial liabilities						
Amounts due to financial institutions	24,040	37,530	-	-	61,570	57,064
Amounts due to customers	128,570	90,662	58,202	-	277,434	264,333
Borrowed funds	2,549	8,186	40,534	154,654	205,923	136,678
Lease liabilities	1,084	1,921	4,230	-	7,235	5,908
Repurchase agreements with financial institutions	11,695	-	-	-	11,695	11,695
Other financial liabilities	5,316	-	-	-	5,316	5,316
Total undiscounted financial liabilities	173,254	138,299	102,966	154,654	569,173	480,994

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

The table below shows the contractual expiry by maturity of the Bank's financial commitments and contingencies. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	Less than 3 months	3 to 12 months	1 to 5 years	Total
December 31, 2025	3,856	8,753	12,633	25,242
December 31, 2024	4,112	8,258	14,551	26,921

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange. The Bank does not have any significant equity, corporate fixed income or derivatives holdings.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The ALMC on a regular basis reviews the overall interest rate spreads by detailed analysis of the assets and liabilities interest rate structure. As at December 31, 2025 and 2024, the Bank does not have any financial assets and liabilities with floating interest rates.

Maturity analysis of assets and liabilities is representative of the interest repricing profile of the Bank.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Assets and Liabilities Management Committee controls currency risk by management of the open currency position on the estimated basis of AZN devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rate fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Bank's open currency position with the aim to match the requirements of the Central Bank of the Republic of Azerbaijan.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at the end of the reporting period:

	December 31, 2025			December 31, 2024		
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
Azerbaijani manats	601,459	(499,732)	101,727	558,943	(433,435)	125,508
US dollars	42,442	(35,860)	6,582	23,869	(42,147)	(18,278)
Euros	4,192	(3,961)	231	5,040	(4,644)	396
Pound sterling	799	(165)	634	339	(263)	76
Russian roubles	99	(275)	(176)	11,948	(505)	11,443
Others	-	(16)	(16)	2,253	-	2,253
Total	648,991	(540,009)	108,982	602,392	(480,994)	121,398

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

The tables below indicate the currencies to which the Bank had significant exposure at December 31, 2025 and 2024 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the AZN, with all other variables held constant on the statement of profit or loss and other comprehensive income (due to the fair value of currency-sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the statement of profit or loss and other comprehensive income. A negative amount in the table reflects a potential net reduction in statement of profit or loss and other comprehensive income or equity, while a positive amount reflects a net potential increase.

Impact on profit before income tax based on net assets value as at December 31, 2025 and 2024:

	December 31, 2025		December 31, 2024	
	AZN/USD +30%	AZN/USD -15%	AZN/USD +30%	AZN/USD -15%
Impact on profit before income tax	1,975	(987)	(2,058)	1,029

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks.

Controls should include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

31. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The table below analyses financial instruments not measured at fair value as at December 31, 2025, by the level in the fair value hierarchy into which the recurring fair value measurement is categorized:

	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets for which fair values are disclosed					
Cash and cash equivalents	December 31, 2025	45,097	-	-	45,097
Amounts due from financial institutions	December 31, 2025	-	19,411	-	19,411
Investment securities	December 31, 2025	1,346	38,985	-	40,331
Loans and advances to customers	December 31, 2025	-	-	535,710	535,710
Other financial assets	December 31, 2025	-	8,125	-	8,125
Liabilities for which fair values are disclosed					
Amounts due to financial institutions	December 31, 2025	-	47,338	-	47,338
Amounts due to customers	December 31, 2025	-	311,398	-	311,398
Borrowed funds	December 31, 2025	-	157,138	-	157,138
Dividends payable to the shareholders	December 31, 2025	-	8,960	-	8,960
Other financial liabilities	December 31, 2025	-	9,655	-	9,655

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) (in thousands of AZN, unless otherwise indicated)

The table below analyses financial instruments not measured at fair value as at December 31, 2024, by the level in the fair value hierarchy into which the recurring fair value measurement is categorized:

	Date of valuation	Fair value measurement using			Total
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Assets for which fair values are disclosed					
Cash and cash equivalents	December 31, 2024	51,660	-	-	51,660
Amounts due from financial institutions	December 31, 2024	-	14,716	-	14,716
Investment securities	December 31, 2024	3,457	25,580	-	29,037
Loans and advances to customers	December 31, 2024	-	-	499,591	499,591
Other financial assets	December 31, 2024	-	7,112	-	7,112
Liabilities for which fair values are disclosed					
Amounts due to financial institutions	December 31, 2024	-	57,064	-	57,064
Amounts due to customers	December 31, 2024	-	264,333	-	264,333
Borrowed funds	December 31, 2024	-	136,678	-	136,678
Repurchase agreements with financial institutions	December 31, 2024	-	11,695	-	11,695
Other financial liabilities	December 31, 2024	-	5,316	-	5,316

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

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

	Carrying value 2025	Fair value 2025	Carrying value 2024	Fair value 2024
Financial assets				
Cash and cash equivalents	45,097	45,097	51,660	51,660
Amounts due from financial institutions	19,411	19,411	14,716	14,716
Investment securities	40,648	40,331	29,313	29,037
Loans and advances to customers	535,710	535,710	499,591	499,591
Other financial assets	8,125	8,125	7,112	7,112
Financial liabilities				
Amounts due to financial institutions	47,338	47,338	57,064	57,064
Amounts due to customers	311,398	311,398	264,333	264,333
Borrowed funds	157,138	157,138	136,678	136,678
Dividends payable to the shareholders	8,960	8,960	-	-
Repurchase agreements with financial institutions	-	-	11,695	11,695
Other financial liabilities	9,655	9,655	5,316	5,316

“EXPRESSBANK” OPEN JOINT-STOCK COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) *(in thousands of AZN, unless otherwise indicated)*

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities carried at amortized cost

Fair value of unquoted instruments, loans and advances to customers, amounts due from financial institutions, amounts due to customers and financial institutions, borrowed funds, other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

32. RELATED PARTY DISCLOSURES

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

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

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FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued)**
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The outstanding balances of related party transactions are as follows:

	December 31, 2025				December 31, 2024					
	Shareholders	Entities under common control	Key management personnel	Other related parties	Total	Shareholders	Entities under common control	Key management personnel	Other related parties	Total
Loans outstanding at January 1, gross	-	1,633	155	-	1,788	-	2,392	196	-	2,588
Loans issued during the year	-	13,336	458	-	13,794	595	5,966	2	-	6,563
Loan repayments during the year	-	(6,049)	(336)	-	(6,385)	(595)	(6,708)	(77)	-	(7,380)
Other movements	-	141	13	-	154	-	(17)	34	-	17
Loans outstanding at December 31, gross	-	9,061	290	-	9,351	-	1,633	155	-	1,788
Less: allowance for impairment at December 31	-	(91)	-	-	(91)	-	(9)	-	-	(9)
Loans outstanding at December 31, net	-	8,970	290	-	9,260	-	1,624	155	-	1,779
Deposits at January 1	3,999	-	358	934	5,291	122	-	352	356	830
Deposits received during the year	1,850	-	-	552	2,402	3,877	-	104	375	4,356
Deposits repaid during the year	(301)	-	(299)	(566)	(1,166)	-	-	(98)	203	105
Deposits at December 31	5,548	-	59	920	6,527	3,999	-	358	934	5,291
Current accounts at December 31	15	268	73	2,197	2,553	86	197	95	477	855
Dividends payable	8,960	-	-	-	8,960	-	-	-	-	-
Commitments and guarantees issued	-	5,321	-	-	5,321	-	4,146	-	-	4,146

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued)**
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The income and expense arising from related party transactions are as follows:

	Year ended December 31, 2025					Year ended December 31, 2024				
	Shareholders	Entities under common control	Key management personnel	Other related parties	Total	Shareholders	Entities under common control	Key management personnel	Other related parties	Total
Interest income on loans	-	776	-	108	884	18	310	12	10	350
Interest expense on deposits	(174)	(2)	(5)	(86)	(267)	(39)	-	(12)	(28)	(79)
Fee and commission income	9	140	3	94	246	29	82	3	118	232
Fee and commission expense	-	(24)	(1)	(2)	(27)	-	-	-	(1)	(1)

As at December 31, 2025 key management personnel (Supervisory Board, Audit committee, Management Board) of the Bank consisted of 9 members (December 31, 2024: 9 members) and compensation of key management personnel was comprised of the following:

	December 31, 2025	December 31, 2024
Salaries and other short-term benefits	(1,983)	(1,444)
Social security costs	(304)	(244)
Total key management personnel compensation	(2,287)	(1,688)

“EXPRESSBANK” OPEN JOINT-STOCK COMPANY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2025 (Continued) *(in thousands of AZN, unless otherwise indicated)*

33. CAPITAL ADEQUACY

The objectives of management when managing the Bank's capital are (i) to comply with the capital requirements set by the Central Bank of the Republic of Azerbaijan (CBAR), (ii) to safeguard the Bank's ability to continue as a going concern and (iii) to maintain strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value. Compliance with capital adequacy ratios set by the CBAR is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Accountant and Chairman of the Management Board. The other objectives of capital management are evaluated annually.

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

The CBAR requires banks to maintain a minimum capital adequacy ratio of 5% (December 31, 2024: 5%) and 10% (December 31, 2024: 10%) for Tier 1 Capital and Total Capital, respectively, based on its guidelines.

The Bank was in compliance with the statutory capital adequacy ratio throughout the years ended December 31, 2025 and 2024.

As at December 31, 2025 and 2024, the Bank's capital adequacy ratio on this basis was as follows:

	December 31, 2025 (unaudited)	December 31, 2024 (unaudited)
Tier 1 capital	111,979	120,188
Tier 2 capital	12,995	16,811
Total capital	124,974	136,999
Risk weighted assets	606,148	583,437
Tier 1 capital adequacy ratio	18%	21%
Total capital adequacy ratio	21%	23%

34. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, an armed conflict involving Iran escalated in the region. Management is closely monitoring the situation, which could impact regional stability, trade flows and global energy markets. No conditions existed at the reporting date that would require adjustment to the financial statements.

Subsequent to the reporting period, the Bank paid dividends to the shareholders in the amount of AZN 8,960.