

“Xalq Bank” Open Joint Stock Company

Separate Financial Statements and Independent Auditors’ Report

For the year ended 31 December 2025

Independent Auditors' Report

Separate Financial Statements for the year ended 31 December 2025

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KPMG Audit Azerbaijan LLC
Port Baku South Tower
Neftchilar Avenue, 153
Baku, Azerbaijan AZ1010
+994 12 404 89 10

Independent Auditors' Report

To the Shareholders and Supervisory Board of "Xalq Bank" Open Joint Stock Company

Opinion

We have audited the separate financial statements of "Xalq Bank" Open Joint Stock Company (the "Bank"), which comprise the separate statement of financial position as at 31 December 2025, the separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2025, and its unconsolidated financial performance and its unconsolidated 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 Separate Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (*IESBA code*) as applicable to audits of the separate financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the separate financial statements in Republic of Azerbaijan. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The Bank also prepares consolidated financial statements of the Bank and its subsidiaries (hereinafter referred to as the "Group"), on which we have issued an opinion on 6 May 2026. These separate financial statements should be read in conjunction with the consolidated financial statements, which were authorized for issue by the management of the Bank on 5 May 2026.

Key audit matters

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

Expected credit losses for loans and advances to customers

Please refer to the Notes 16 and 33 in the financial statements.

The key audit matter

Loans and advances to customers represent 58% of total assets 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 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. The calculation of ECL for loans and advances to customers on an individual basis requires scenario analysis of the estimated future cash flows considering current and projected financial performance of the borrowers and estimated proceeds from realizable collateral.

Credit loss allowance for loans 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*.

How the matter was addressed in our audit

We engaged our own specialists in financial risk management to analyse 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 analyse the adequacy of professional judgement and assumptions made by the management in relation to allowance for ECL estimate we performed the following procedures:

- For loans to customers, for which potential changes in ECL may have a significant impact on the separate financial statements, we tested whether the appropriate Stages are correctly assigned by the Bank by analysing financial and non-financial information, as well as assumptions and professional judgements, applied by the Bank.
- We evaluated underlying statistical models, key inputs and assumptions used and assessed incorporation of forward-looking information in the calculation of ECL. We analysed the overall adequacy of the adjustment to account for various scenarios and forward-looking information and compared it with our estimates, taking into account the current and future economic situation and operating conditions of borrowers.
- For a sample of loans to customers, we tested the correctness of data inputs for PD, LGD and EAD calculation comparing to supporting documents.
- For a sample of Stage 3 loans to customers, where ECL are assessed individually we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realizable collateral and their expected disposal terms based on our understanding and publicly available market information.
- For loans to customers, we also 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 agreed input data to supporting documents on a sample basis.
- For loans to customers, we tested the design and operating effectiveness of controls, including involvement of specialists in information risk management, over completeness and accuracy of data inputs into ECL calculation models, timely reflection of delinquency events and loan repayments in the underlying systems.

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



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

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

In preparing the separate 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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, actions taken to eliminate threats or safeguards applied.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate 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.

The engagement partner on the audit resulting in this independent auditors' report is:




Nasiba Muradkhanova
KPMG Audit Azerbaijan LLC
Baku, the Republic of Azerbaijan
7 May 2026

“Xalq Bank” Open Joint Stock Company


Separate Statement of profit or loss and other comprehensive income for the year ended
31 December 2025
(in Azerbaijan manats)

	Notes	2025	2024
Interest income	6	222,295,528	181,273,536
Interest expense	6	(97,468,107)	(49,664,733)
Net interest income		124,827,421	131,608,803
Credit loss recovery/(expense) on interest bearing assets	7	15,064,763	(6,346,664)
Net interest income after credit loss expense		139,892,184	125,262,139
Fee and commission income	8	33,357,077	29,901,665
Net gain on foreign exchange operations	9	5,203,531	6,539,996
Net gain on precious metals operations	10	7,879,453	3,406,393
Net gain/(loss) on sale of investment securities		4,193	(29,715)
Other income	11	11,005,906	5,161,406
Non-interest income		57,450,160	44,979,745
Personnel expenses	12	(58,139,861)	(48,693,845)
General and administrative expenses	12	(22,178,604)	(21,959,168)
Fee and commission expense	8	(26,026,127)	(19,948,554)
Depreciation and amortisation	18,19	(8,686,994)	(8,407,563)
Provision for impairment losses on non-interest bearing assets		(142,366)	-
Recovery/(provision) for impairment losses on guarantees and other commitments	26	380,108	(572,975)
Non-interest expense		(114,793,844)	(99,582,105)
Profit before income tax		82,548,500	70,659,779
Income tax expense	13	(15,391,499)	(14,152,867)
Net profit for the year		67,157,001	56,506,912
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Equity investment at FVOCI – net change in fair value		(30,080)	-
Net other comprehensive income for the year		(30,080)	-
Total comprehensive income for the year		67,126,921	56,506,912
Earnings per share			
Basic and diluted (expressed in AZN)	31	18.50	15.57

Approved for issue and signed on behalf of the Management Board on 6 May 2026.


Chairman
Mr. Kamran Majidov




Chief Accountant
Mr. Rasul Eyyubov

The accompanying notes on pages 9 to 75 form an integral part of these separate financial statements

“Xalq Bank” Open Joint Stock Company

Separate Statement of financial position as at 31 December 2025 (in Azerbaijan manats)

	Notes	31 December 2025	31 December 2024
Assets			
Cash and cash equivalents	14	776,208,829	461,243,022
Precious metals		15,168,527	15,396,404
Amounts due from credit institutions	15	160,550,729	270,611,583
Loans to customers	16	1,851,032,440	1,862,865,614
Investments in subsidiaries	1	42,111,135	42,102,675
Investment securities – not pledged	17	221,187,596	185,018,320
Investment securities– pledged under repurchase contract	17	-	104,900,000
Property, equipment and right-of-use assets	18	69,017,440	62,808,594
Intangible assets	19	5,271,334	5,622,871
Deferred income tax asset	13	2,469,103	3,772,671
Other assets	20	26,620,738	40,631,406
Total assets		3,169,637,871	3,054,973,160
Liabilities			
Amounts due to banks	21	218,306,444	308,742,720
Customer accounts	22	2,100,924,412	1,970,963,210
Term borrowings	23	268,558,880	252,667,329
Current income tax liabilities		483,299	7,133,962
Lease liability	24	8,455,509	7,705,097
Debt securities in issue	25	12,028,167	-
Other liabilities	26	29,469,739	18,463,575
Total liabilities		2,638,226,450	2,565,675,893
Equity			
Share capital		446,599,506	415,596,744
Retained earnings		84,811,915	73,700,523
Total equity attributable to shareholders of the Bank		531,411,421	489,297,267
Total liabilities and equity		3,169,637,871	3,054,973,160

“Xalq Bank” Open Joint Stock Company

Separate Statement of changes in equity for the year ended 31 December 2025 (in Azerbaijan manats)

	<u>Share capital</u>	<u>Retained Earnings</u>	<u>Unrealised losses on investment securities</u>	<u>Total equity</u>
1 January 2024	364,772,544	128,099,276	-	492,871,820
Profit and total comprehensive income for the year	-	56,506,912	-	56,506,912
Transfer from Retained earnings to Share Capital (Note 27)	50,824,200	(50,824,200)	-	-
Dividends to shareholders of the Bank (Note 27)	-	(60,081,465)	-	(60,081,465)
31 December 2024	415,596,744	73,700,523	-	489,297,267
Profit and total comprehensive income for the year	-	67,157,001	(30,080)	67,126,921
Transfer from Retained earnings to Share Capital (Note 27)	31,002,762	(31,002,762)	-	-
Dividends to shareholders of the Bank (Note 27)	-	(25,012,767)	-	(25,012,767)
Transfer from unrealised loss on investment securities to Retained earnings	-	(30,080)	30,080	-
31 December 2025	<u>446,599,506</u>	<u>84,811,915</u>	-	<u>531,411,421</u>

“Xalq Bank” Open Joint Stock Company

Separate Statement of cash flows for the year ended 31 December 2025

(in Azerbaijan manats)

	Notes	2025	2024
Cash flows from operating activities:			
Profit before income tax		82,548,500	70,659,779
Adjustments for:			
Credit (recovery) / loss on interest bearing assets	7	(15,064,763)	6,346,664
(Recovery of provision) / Provision for impairment losses on guarantees and other commitments	26	(380,108)	572,975
Charge of provision for impairment losses on non-interest bearing assets		142,366	-
Net unrealised loss arising from changes in foreign currency exchange rates	9	3,679	40,558
Net unrealised gain arising from changes on precious metals operations		(7,879,453)	(3,400,015)
Depreciation and amortization	18,19	8,686,994	8,407,563
Gain on disposal of property and equipment	11	(108,703)	(1,880,973)
Change in interest accruals, net		4,755,946	901,321
Cash flows from operating activities before changes in operating assets and liabilities		72,704,458	81,647,872
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Precious metals		8,107,330	944,510
Amounts due from credit institutions		112,057,059	23,703,402
Loans to customers		34,314,530	(61,921,442)
Other assets		10,115,757	5,032,095
Increase/(decrease) in operating liabilities:			
Amounts due to banks		(92,754,358)	274,879,988
Customer accounts		101,774,158	(295,114,604)
Other liabilities		11,556,975	1,972,068
Cash inflow from operating activities before taxation		257,875,909	31,143,889
Income tax paid		(20,738,594)	(20,966,333)
Net cash inflow from operating activities		237,137,315	10,177,556
Cash flows from investing activities:			
Purchase of property, equipment and intangible assets	18,19	(9,426,267)	(7,837,872)
Proceeds from disposal of property and equipment		29,237	26,176,255
Acquisition of investments in debt securities	17	(130,805,505)	(192,040,017)
Proceeds from sale of investments securities at FVTPL	17	105,394,171	-
Proceeds from maturity of investment securities	17	95,917,239	360,788,566
Acquisition of equity securities in investment subsidiaries	1	(8,460)	-
Net cash inflow from investing activities		61,100,415	187,086,932
Cash flows from financing activities:			
Proceeds from term borrowings	23	52,917,351	47,287,918
Repayment of term borrowings	23	(37,096,371)	(34,901,359)
Proceeds from debt securities issued	25	12,000,000	-
Payment of lease liability	24	(491,835)	(970,999)
Dividends paid to shareholders of the Bank	27	(25,012,767)	(60,081,465)
Net cash inflow / (outflow) from financing activities		2,316,378	(48,665,905)
Effect of foreign exchange rate changes on cash and cash equivalents		14,459,605	(57,783)
Effect of expected credit losses on cash and cash equivalents	14	(47,906)	(282,132)
Net increase in cash and cash equivalents		314,965,807	148,258,668
Cash and cash equivalents, beginning of year		461,243,022	312,984,354
Cash and cash equivalents, end of year	14	776,208,829	461,243,022

Interest paid and received by the Bank in cash during the year ended 31 December 2025 amounted to AZN 92,735,535 (2024: 48,984,452) and AZN 222,318,901 (2024: 179,560,884), respectively.

1. Background

Xalq Bank is an open joint stock company which was established on 24 December 2004 in accordance with establishment agreement and was registered by the Central Bank of Azerbaijan Republic on 27 December 2004. The address of its registered office is 22L Inshaatchilar Avenue, Baku, AZ 1006, Azerbaijan. The Bank is regulated by the Central Bank of Azerbaijan Republic (the "CBAR") and conducts its business under the general banking license number 246. The principal business activity of the Bank is commercial and retail banking operations within the Republic of Azerbaijan. As at 31 December 2025 the Bank has 30 branches (31 December 2024: 30 branches) within the Republic of Azerbaijan. The number of employees of the Bank as at 31 December 2025 was 1207 (31 December 2024: 1076).

The Bank participates in the state deposit insurance scheme, which was introduced by the "Law on Deposit Insurance" dated December 29, 2006. The Azerbaijan Deposit Insurance Fund guarantees repayment of 100% of individual deposits meeting the following criteria: According to the Law of the Republic of Azerbaijan on "Deposit Insurance", insured deposit is the part of a protected deposit that will be compensated by the Deposit Insurance Fund in case of an insurance incident that occurred in the participant bank where a depositor is serviced. Starting from June 1, 2020, the maximum annual interest rate on protected deposits in the national currency is set at 12%, and in foreign currency - 2.5%. Starting from April 5, 2021, in case of an insurance incident each depositor is entitled to receive compensation from the Deposit Insurance Fund for the full amount of deposit agreement, but not exceeding AZN 100,000 for individuals. For deposits on bank accounts of entrepreneurs, the compensation amount is limited to AZN 20,000.

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

	31 December 2025	31 December 2024
	Ownership interest, %	Ownership interest, %
Ideal Biznes Ko LLC	50.00	50.00
Yevro Standart LLC	33.85	33.85
Foton LLC	16.15	16.15
Total	100.00	100.00

As at 31 December 2025, the Bank is ultimately owned by Mrs. Leyla Aliyeva, Mrs. Arzu Aliyeva and Mr. Arif Pashayev (31 December 2024: Mrs. Leyla Aliyeva, Mrs. Arzu Aliyeva and Mr. Arif Pashayev), who exercise joint control over the Bank. See Note 30.

These separate financial statements are the financial statements of the parent Xalq Bank OJSC. The Bank's subsidiaries were not consolidated in these separate financial statements. Investment in subsidiaries is accounted for at cost less impairment.

The Bank's investment in subsidiaries consists of the following:

	31 December 2025	31 December 2024
Xalq Property LLC	40,000,000	40,000,000
Baku Ayaqqabi – 2 CJSC	1,691,135	1,682,675
Xalq Capital Investment Company LLC	420,000	420,000
Total investment in subsidiaries	42,111,135	42,102,675

The Bank's ownership over its subsidiaries is as stated below:

Name	Country of operation	The Bank ownership interest/ voting rights		Type of operation
		2025	2024	
<i>Xalq Capital Investment Company CJSC</i>	<i>The Republic of Azerbaijan</i>	100%	100%	<i>Securities market transactions</i>
<i>Baki Ayaqqabi -2 OJSC</i>	<i>The Republic of Azerbaijan</i>	98.45%	98.45%	<i>Dormant</i>
<i>Xalq Property LLC</i>	<i>The Republic of Azerbaijan</i>	100%	100%	<i>Property management</i>

These separate financial statements should be read in conjunction with the consolidated financial statements, which were authorized for issue by the management of the Bank on 5 May 2026. The consolidated financial statements of Xalq Bank OJSC, prepared in accordance with IFRS, have been produced for public use and are available on the Company's website: www.xalqbank.az.

Business environment

The Bank's operations are primarily located in Azerbaijan. Consequently, 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 development, 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 volatility in the global price of oil and the ongoing military conflict between the Russian Federation and Ukraine has further increased uncertainty in the business environment.

The separate financial statements reflect management's assessment of the impact of the Azerbaijani business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

2. Material accounting policies

The Bank has consistently applied the following material accounting policies to all periods presented in these separate financial statements.

Basis of preparation

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, financial instruments categorized at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"), precious metals measured at fair value and assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. These separate financial statements have been prepared assuming that the Bank is a going concern and will continue in operation for the foreseeable future. The principal accounting policies applied in the preparation of these separate financial statements are set out below.

The preparation of separate financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material to the separate financial statements are disclosed in Note 3.

Fair value measurement

The Bank measures financial instruments carried at FVPL and FVOCI at fair value at each balance sheet date. Precious metals are carried at fair value.

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the separate financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Investment in subsidiaries

Investment in subsidiaries are recognized using the cost method in accordance with *IAS 27 Separate Financial Statements*.

Financial assets and liabilities

Initial recognition

Date of recognition

All regular purchases and sales of financial assets and liabilities are recognised on the trade date i.e. the date that the Bank commits to purchase the asset or liability. Regular purchases or sales are purchases or sales of financial assets and liabilities that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

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 FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- FVOCI;
- FVPL.

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may designate financial instruments at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortised cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions, loans to customers, investments securities at amortised cost

Bank only measures amounts due from credit institutions, loans to customers and other financial investments at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Bank determines its business model at the level that best reflects how it manages its financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognised in the separate financial statements at fair value, being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the separate statement of profit or loss, and an ECL provision.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of the ECL requirements.

Performance guarantees

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. The risk under performance guarantee contracts is the possibility that the failure to perform the contractual obligation by another party occurs. The Bank chose to account for performance guarantees within the scope of IFRS 9.

Reclassification of financial assets and liabilities

Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank changes the business model for managing financial assets.

Financial liabilities are never reclassified. The Bank did not reclassify any of its financial assets and liabilities in 2025.

Renegotiated loans

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 Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, presented within interest income calculated using EIR in the separate statement of profit or loss, to the extent that an impairment loss has not already been recorded.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a bank of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and
- The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank’s continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Write-off

Financial assets are written off either partially or in their entirety only when the Bank does not expect the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on corresponding accounts and term deposits with the Central Bank of the Republic of Azerbaijan (the "CBAR") with original maturity of less or equal to 90 days, notes issued by the Central Bank of the Republic of Azerbaijan (the "CBAR") up to 90 days and amounts due from credit institutions with original maturity of less or equal to 90. Cash and cash equivalents are carried at amortized cost 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.

Precious metals

Assets and liabilities denominated in gold and other precious metals are translated at the current rate computed based on the Central Bank rate effective at the date. Changes in the bid prices are recorded in net gain on operations with precious metals.

Due from other banks

Amounts due from banks are recorded when the Bank advances money to counterparty banks. Amounts due from other banks 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.

Reposessed collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities.

In certain circumstances, assets are reposessed following the foreclosure on loans that are in default. Reposessed collateral is initially recognized at an amount equal to the carrying amount of a loan for which it was pledged. Reposessed assets are measured at the lower of carrying amount and fair value less costs to sell.

Intangible assets

Intangible assets acquired separately. Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful lives of intangible assets are 10 years. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Derecognition of intangible assets. An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Premises, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and amortization and any recognized impairment loss. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property, equipment and amortization of intangible assets is charged on their historical cost and is designed to write off assets over their useful lives.

It is calculated on a straight line basis at the following annual rates:

Building	3.3%	Vehicles	15%
Furniture and equipment	25%	Other equipment	20%
Computers	25%	Intangible assets	10%

The carrying amounts of property, equipment and intangible assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts. Impairment is recognized in the respective period and is included in operating expenses.

After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Taxation

Income tax expense comprises current and deferred taxation. Income tax expense for the current period is determined on the basis of the taxable profit received in the year. Taxable profit differs from net profit as reported in the unconsolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax is reported using the balance sheet liability method and represents income tax assets and liabilities on the temporary difference between the carrying value of assets and liabilities and the respective tax base. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the respective deferred tax assets can be utilized. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in transactions that affect neither the tax profit nor the accounting profit. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences, and they are expected to reverse in the foreseeable future.

The carrying value of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that a related tax benefit will be realized sufficient for full or partial recovery of the asset.

Deferred tax assets and liabilities are offset by the Bank with the resulting difference reported in the separate financial statements if:

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized.

Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Amounts due to banks

Amounts due to banks and customer accounts are initially recognized at fair value. Subsequently amounts due are stated at amortized cost and any difference between carrying and redemption value is recognized in the unconsolidated income statement over the period of the borrowings using the effective interest method.

Repurchase and reverse repurchase contracts

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the separate statement of financial position and the counterparty liability included in amounts payable under repo transactions within due to banks and other financial institutions or current accounts and deposits from customers, as appropriate.

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.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within due from banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Term borrowings

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 amounts due to credit institutions and government organizations. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognised in profit or loss when the borrowings are derecognised as well as through the amortisation process.

Customer accounts

Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortized cost.

Deposits

The Bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

Deposits are initially measured at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortised cost under the effective interest method, except where the Bank designates liabilities at FVTPL.

Debt securities in issue

Debt securities in issue are initially measured at fair value minus incremental direct transaction costs. Subsequently, they are measured at their amortised cost under the effective interest method.

Lease

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term.

If the ownership of the leased asset transfers to the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Bank uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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 recognised as additional paid-in capital.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under International Accounting Standard 10 "Events after the reporting period" ("IAS 10") and disclosed accordingly.

Earnings per share

The Bank presents basic EPS data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Bank by the weighted-average number of ordinary shares outstanding during the period.

Operating segments

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Bank's other components, whose operating results are regularly reviewed by the Bank's CODM (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Bank's CEO (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Bank's headquarters), head office expenses and tax assets and liabilities.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

The Bank calculates interest income on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

When a financial asset becomes credit-impaired, the Bank calculates interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial assets cures and are no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For purchased or originated credit-impaired (POCI) financial assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the asset. The credit-adjusted EIR is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI assets.

Interest income on all financial assets at FVPL is recognised using the contractual interest rate.

Fee and commission income

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

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income on guarantees and letters of credit. 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 recognised as an adjustment to the effective interest rate on the loan.

A contract with a customer that results in a recognized financial instrument in the Bank's separate financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Fee income earned at a point in time

Fees arising from settlement and cash operations are recognized upon completion of the underlying transactions. Each cash operation and settlement operation is treated as a separate performance obligation.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, provision of overdraft facilities, foreign currency transactions, credit card and servicing fee. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when transaction takes place.	Revenue related to transactions is recognized at the point in time when the transaction takes place.
Guarantee and letter of credit issuance	The Bank issues guarantees and letters of credit to its customers.	Revenue from fees on issuance of guarantees and letters of credit is recognized over the period until maturity date of such contracts.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Azerbaijan Manats at the appropriate spot rates of exchange ruling at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

The exchange rates at the year end used by the Bank in the preparation of the separate financial statements are as follows:

31 December 2025

USD 1 = AZN 1.7000
EUR 1 = AZN 2.0022
GBP 1 = AZN 2.2970

31 December 2024

USD 1 = AZN 1.7000
EUR 1 = AZN 1.7724
GBP 1 = AZN 2.1382

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the separate statement of financial position when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability.

Staff costs and related contributions

Wages, salaries, contributions to the Republic of Azerbaijan 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.

3. Critical accounting estimates and judgements in applying accounting policies

The Bank makes estimates and assumptions that affect the amounts recognized in the separate financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the separate financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Measurement of ECL allowance. 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 33. 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. For details of ECL measurement including incorporation of forward-looking information refer to Note 33.

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 behavioral aspects of particular customer portfolios. The Bank identifies behavioral indicators of increases in credit risk prior to delinquency and incorporated appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 33.

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimizing potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Bank's control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "held to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realizing cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model. **Assessment whether cash flows are solely payments of principal and interest (“SPPI”)**. Determining whether a financial asset’s cash flows are solely payments of principal and interest required judgement. The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument’s underlying base interest rate, for example a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument’s cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument.

The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument’s cash flows are not SPPI and the instrument is then carried at FVTPL.

The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset’s principal is the fair value at initial recognition less subsequent principal repayments, ie instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual paramount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Bank’s loan agreements allow adjusting interest rates in response to certain macro-economic or regulatory changes. Management applied judgement and assessed that competition in the banking sector and the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI.

4. Standards and interpretations issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Bank has not early adopted the new or amended standards in preparing these separate financial statements.

a) IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. The new standard introduces the following key new requirements.

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities’ net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to bank information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under indirect method.

The Bank is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Bank’s statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs.

b) Other accounting standards

The following new and amended standards are not expected to have a significant impact on the Bank's separate financial statements.

- Transition to a Hyperinflationary Presentation Currency (Amendments to IAS 21). Classification and
- Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7).
- Subsidiaries without Public Accountability: Disclosures (Amendments to IFRS 19).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7
- Annual Improvements to IFRS Accounting Standards – Volume 11

5. Management of capital

The objectives of management when managing the Bank's capital are (i) to comply with the capital requirements set by the CBAR and (ii) to safeguard the Bank's ability to continue as a going concern.

Under the current prudential capital requirements set by the CBAR, non-systematically important banks have to: (a) hold the minimum level of total statutory capital of AZN 50,000,000 (31 December 2024: AZN 50,000,000); (b) maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") at or above a prescribed minimum of 10.5% (31 December 2024: 10%) and (c) maintain a ratio of Tier-1 capital to the risk-weighted assets (the 'Tier-1 capital ratio') at or above the prescribed minimum of 5.5% (31 December 2024: 5%).

Management considers that the Bank was in compliance with the regulatory requirements as at 31 December, 2025 and 2024. The calculation of capital adequacy based on the prudential reports prepared by the Bank in accordance with the prudential regulations set by the CBAR was as follows:

	31 December 2025, (unaudited)	31 December 2024, (unaudited)
Total capital	494,814,780	462,970,592
Risk-weighted assets	<u>2,328,849,720</u>	<u>2,677,117,230</u>
Capital adequacy ratio (%)	<u>21.25%</u>	<u>17.29%</u>

6. Interest income and expense

Net interest income comprise:

	2025	2024
Interest income comprises		
Interest on loans to customers	152,917,375	136,601,402
Interest on cash equivalents	47,682,320	14,995,110
Interest on investment securities	18,878,451	27,089,706
Interest on due from banks	2,807,013	2,584,932
Interest on other operations	10,369	2,386
Total interest income on financial assets calculated using the effective interest method	<u>222,295,528</u>	<u>181,273,536</u>
Interest expense comprises:		
Interest on customer accounts	(82,722,534)	(36,745,979)
Interest on term borrowings	(7,269,756)	(6,540,652)
Interest on due to banks	(6,458,586)	(5,690,882)
Interest on lease liabilities	(774,330)	(610,012)
Interest on debt securities in issue	(133,167)	-
Interest on other operations	(109,734)	(77,208)
Total interest expense on financial liabilities recorded at amortized cost	<u>(97,468,107)</u>	<u>(49,664,733)</u>
Net interest income before credit loss expense	<u>124,827,421</u>	<u>131,608,803</u>

7. Credit loss expense on interest bearing assets

The movements in credit loss expense on interest bearing assets were as follows:

	<u>Investment securities</u>	<u>Cash and cash equivalents</u>	<u>Due from banks</u>	<u>Loans to customers</u>	<u>Total</u>
31 December 2023	(1,672,033)	-	(400,628)	(85,208,770)	(87,281,431)
(Provision) / recovery of provision	412,380	(282,131)	269,586	(6,746,499)	(6,346,664)
Write-off of assets	-	-	-	1,193,829	1,193,829
Recoveries of amounts previously written off	-	-	-	(1,211,682)	(1,211,682)
31 December 2024	(1,259,653)	(282,131)	(131,042)	(91,973,122)	(93,645,948)
(Provision) / recovery of provision	655,876	234,225	(355,399)	14,530,061	15,064,763
Write-off of assets	-	-	-	517,452	517,452
Recoveries of amounts previously written off	-	-	-	(103,890)	(103,890)
31 December 2025	(603,777)	(47,906)	(486,441)	(77,029,499)	(78,167,623)

8. Fee and commission income and expense

Fee and commission income and expense comprise:

	<u>2025</u>	<u>2024</u>
Fee and commission income:		
Plastic cards operations	18,461,621	15,603,208
Settlements	6,688,811	6,667,964
Cash operations	4,546,165	4,314,655
Guarantee letters	3,107,765	2,834,420
Letters of credit	9,699	6,148
Other	543,016	475,270
Total fee and commission income	33,357,077	29,901,665
Fee and commission expense:		
Plastic cards operations	(22,606,399)	(16,130,583)
Settlements	(1,461,834)	(1,590,362)
Guarantee letters	(666,627)	(1,101,573)
Cash operations	(289,681)	(220,267)
Letters of credit	(284)	(2,323)
Other	(1,001,302)	(903,446)
Total fee and commission expense	(26,026,127)	(19,948,554)
Net fee and commission income	7,330,950	9,953,111

9. Net gain on foreign exchange operations

Net gain on foreign exchange operations comprises:

	<u>2025</u>	<u>2024</u>
Dealing differences, net	5,207,210	6,580,554
Translation differences, net	(3,679)	(40,558)
Total net gain on foreign exchange operations	5,203,531	6,539,996

11. Net gain on precious metals operations

Net gain on precious metals operations comprises:

	<u>2025</u>	<u>2024</u>
Translation difference on precious metals	7,828,424	3,400,015
Net dealing gain on precious metals operations	51,029	6,378
Total net gain on precious metals operations	<u>7,879,453</u>	<u>3,406,393</u>

12. Other income

	<u>2025</u>	<u>2024</u>
Dividend income	6,531,250	950,000
Change in fair value of repossessed collaterals	2,026,010	177,400
Penalty income from loans to customers	1,933,016	1,822,010
Rent income	285,496	276,832
Gain on sale of repossessed collateral	79,466	72,923
Gain on disposal of land and property	29,237	1,808,050
Other	121,431	54,191
Total other income	<u>11,005,906</u>	<u>5,161,406</u>

13. Personnel, general and administrative expenses

Personnel, general and administrative expenses comprise:

	<u>2025</u>	<u>2024</u>
Salaries and bonuses	(48,035,826)	(40,450,782)
Social security costs	(8,522,737)	(7,170,681)
Other employee related expenses	(1,581,298)	(1,072,382)
Total personnel expenses	<u>(58,139,861)</u>	<u>(48,693,845)</u>
Professional services fees	(6,525,275)	(5,636,672)
Payments to the Deposit Insurance Fund of the Republic of Azerbaijan	(5,547,396)	(6,358,091)
Repairs and maintenance expenses	(1,422,587)	(1,841,085)
Advertising and marketing expenses	(1,293,531)	(1,179,162)
Security expenses	(1,144,714)	(1,179,229)
Transportation and business trip expenses	(988,477)	(869,863)
Entertainment	(866,542)	(810,526)
Taxes, other than income tax	(849,534)	(983,644)
Communications	(780,279)	(672,560)
Stationery expenses	(505,087)	(456,111)
Utilities	(495,617)	(483,737)
Insurance	(319,453)	(328,050)
Short-term lease expense	(264,848)	(220,712)
Loss on disposal of property, equipment and intangible assets	-	(12,896)
Other expenses	(1,175,264)	(926,830)
Total general and administrative expenses	<u>(22,178,604)</u>	<u>(21,959,168)</u>

For the year ended 31 December 2025 AZN 347,370 (2024: AZN 374,000) audit fee was included in professional services fees. No non-audit service was performed for the Bank by the auditors.

14. Income taxes

(a) Components of income tax expense

Income tax expense comprises the following:

	<u>2025</u>	<u>2024</u>
Current tax charge	(14,087,931)	(18,468,527)
Deferred tax (charge)/credit	<u>(1,303,568)</u>	<u>4,315,660</u>
Income tax expense	<u>(15,391,499)</u>	<u>(14,152,867)</u>

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Bank's income is 20%. A reconciliation between the expected and the actual taxation charge is provided below.

	<u>2025</u>	<u>2024</u>
Profit before income tax	82,548,500	70,659,779
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	<u>(16,509,700)</u>	<u>(14,131,956)</u>
Tax effect of items which are not deductible or assessable for taxation purposes		
Tax-exempt income	1,375,000	190,000
Non-deductible expenditures	<u>(256,799)</u>	<u>(210,911)</u>
Income tax expense	<u>(15,391,499)</u>	<u>(14,152,867)</u>

(c) **Deferred taxes analyzed by type of temporary difference**

Differences between IFRS Accounting Standards and Azerbaijan statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20%.

	<u>1 January 2025</u>	<u>Charged to profit or loss</u>	<u>31 December 2025</u>
Tax effect of deductible/(taxable) temporary differences			
Cash and cash equivalents	56,426	(46,845)	9,581
Precious metals	(2,329,911)	(230,942)	(2,560,853)
Amounts due from credit institutions	26,208	71,080	97,288
Loans to customers	3,719,647	2,459,307	6,178,954
Investment securities	251,931	(131,176)	120,755
Property, equipment and right-of use assets	(1,031,193)	(2,826,455)	(3,857,648)
Intangible assets	278,443	47,134	325,577
Other assets	651,546	(590,471)	61,075
Amounts due to banks and government agencies	(13,859)	13,859	-
Lease liability	1,541,020	150,082	1,691,102
Other liabilities	622,413	(219,141)	403,272
Net deferred income tax asset	<u>3,772,671</u>	<u>(1,303,568)</u>	<u>2,469,103</u>
	<u>1 January 2024</u>	<u>Charged to profit or loss</u>	<u>31 December 2024</u>
Tax effect of deductible/(taxable) temporary differences			
Cash and cash equivalents	-	56,426	56,426
Precious metals	(1,796,479)	(533,432)	(2,329,911)
Amounts due from credit institutions	80,125	(53,917)	26,208
Loans to customers	1,608,034	2,111,613	3,719,647
Investment securities	334,407	(82,476)	251,931
Property, equipment and right-of use assets	(1,372,675)	341,482	(1,031,193)
Intangible assets	248,215	30,228	278,443
Other assets	(113,109)	764,655	651,546
Amounts due to banks and government agencies	(13,859)	-	(13,859)
Lease liability	91,167	1,449,853	1,541,020
Other liabilities	391,185	231,228	622,413
Net deferred income tax asset/(liability)	<u>(542,989)</u>	<u>4,315,660</u>	<u>3,772,671</u>

15. Cash and cash equivalents

Cash and cash equivalents comprise:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Cash on hand	45,786,719	44,926,475
Balances with the Central Bank of Azerbaijan Republic	21,273,395	26,691,999
Correspondent accounts with other banks		
rated A- to A+ (Fitch Ratings)	479,704,445	303,733,370
rated BBB- to BBB+ (Fitch Ratings)	41,202	1,454,076
rated below BBB- (Fitch Ratings)	1,315,639	1,536,663
Time deposits with other credit institutions up to 90 days	148,068,335	83,182,570
Time deposits with Central Bank of Azerbaijan Republic up to 90 days	80,067,000	-
Less: Impairment allowance	(47,906)	(282,131)
Total cash and cash equivalents	<u>776,208,829</u>	<u>461,243,022</u>

As at 31 December 2025 and 2024 accrued interest income included in cash and cash equivalents amounted to AZN 1,402,019 and AZN 1,114,076 respectively.

As at 31 December 2025 the Bank had four banks (31 December 2024: three banks), with balances exceeding 10% of total cash and cash equivalents. The gross value of these balances as at 31 December 2025 is AZN 723,148,339 (31 December 2024: AZN 411,168,211).

For the purpose of ECL measurement cash and cash equivalent balances are included in Stage 1 with no overdue days.

All term deposits with other credit institutions up to 90 days are within the range of B- and AA-.

16. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2025	31 December 2024
Obligatory reserve with the CBAR	86,129,165	179,052,675
Loans and term deposits with other banks	52,489,937	43,864,063
Restricted deposits	22,418,068	47,825,887
	161,037,170	270,742,625
Less: allowance for impairment	(486,441)	(131,042)
Total amounts due from credit institutions	160,550,729	270,611,583

As at 31 December 2025 and 2024 accrued interest income included in amounts due from credit institutions amounted to AZN 840,202 and AZN 640,063 respectively.

Amount due from banks are not collateralized. An analysis by credit quality of amounts due from other banks are as follows:

	31 December 2025	31 December 2024
Currently not impaired		
>BBB+ (Fitch Ratings)	22,350,382	2,357,755
<B- to BBB+ (Fitch Ratings)	138,200,347	268,253,828
	160,550,729	270,611,583

As at 31 December 2025 and 2024 the Bank had restricted deposits blocked in support of guarantees issued and plastic cards operations and money transfers totaling AZN 22,418,068 and AZN 47,825,887 respectively.

The Bank has three banks (31 December 2024: two banks) with an outstanding balance exceeding 10% of total due from other banks. The gross value of these balances as at 31 December 2025 is AZN 150,765,584 (31 December 2024: AZN 78,608,000).

As at 31 December 2025 there is term placement with local banks in amount of AZN 17,000 (31 December 2024: AZN 17,000).

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from credit institutions during the 31 December 2025 is as follows:

	Stage 1 Gross carrying value	Stage 1 ECL
Balance as at 1 January 2025	270,742,625	(131,042)
New assets originated	95,241,951	(733,345)
Assets repaid		
- <i>Principal</i>	(207,299,010)	641,915
- <i>Interest</i>	(2,606,875)	17,399
Recognised interest income	2,807,013	(20,244)
Net remeasurement of ECL	-	(274,032)
Foreign exchange adjustments	2,151,466	12,908
Balance as at 31 December 2025	161,037,170	(486,441)

An analysis of changes in gross carrying value and corresponding ECL allowance on amounts due from credit institutions during the 31 December 2024 is as follows:

	Stage 1 Gross carrying value	Stage 1 ECL
Balance as at 1 January 2024	296,370,385	(400,628)
New assets originated	60,849,879	(281,118)
Assets repaid		
- <i>Principal</i>	(84,553,280)	152,516
- <i>Interest</i>	(3,236,367)	9,036
Recognised interest income	2,584,932	(8,085)
Net remeasurement of ECL	-	390,575
Foreign exchange adjustments	(1,272,924)	6,662
Balance as at 31 December 2024	270,742,625	(131,042)

17. Loans to customers

Loans to customers comprise:

	31 December 2025	31 December 2024
Loans to corporate customers	1,053,534,542	1,104,885,651
Loans to individuals	874,527,397	849,953,085
Gross loans to customers at amortised cost	1,928,061,939	1,954,838,736
Less allowance for impairment	(77,029,499)	(91,973,122)
Total loans to customers at amortised cost	1,851,032,440	1,862,865,614

Loans to corporate customers are given to the following industry sectors:

Analysis by industry	31 December 2025	31 December 2024
Trading and services	275,994,436	250,928,200
Agriculture	244,442,449	288,511,451
Construction	151,951,831	195,345,094
Manufacturing	124,650,018	117,537,838
Telecommunication	93,787,569	64,943,291
Financing	65,197,651	50,660,368
Energy	53,149,055	50,687,774
Mining	-	6,101,479
Other	44,361,533	80,170,156
	1,053,534,542	1,104,885,651
Less allowance for impairment	(65,568,161)	(77,022,268)
Total loans to corporate customers	987,966,381	1,027,863,383

Loans to individuals comprise the following products:

	31 December 2025	31 December 2024
Mortgage loans	483,890,458	423,512,233
Consumer loans	303,296,365	323,617,431
Business loans	53,649,739	56,803,204
Auto loans	31,951,613	43,828,973
Credit cards	1,739,222	2,191,244
	874,527,397	849,953,085
Less allowance for impairment	(11,461,338)	(14,950,854)
Total loans to individuals	863,066,059	835,002,231

The table below summarizes the amount of loans secured by collateral, rather than the fair value of the collateral itself:

	31 December 2025	31 December 2024
Loans collateralized by real estate	1,226,760,145	1,235,674,472
Loans collateralized by cash	278,090,616	300,486,075
Loans collateralized by equipment	133,733,777	155,878,778
Loans collateralized by guarantees	72,994,034	72,494,665
Loans collateralized by vehicles	19,666,909	22,541,453
Loans collateralized by trade receivable	1,550,861	1,397,602
Loans collateralized by other collateral	5,876,721	503,009
Unsecured loans	189,388,876	165,862,682
	1,928,061,939	1,954,838,736
Less allowance for impairment	(77,029,499)	(91,973,122)
Total loans to customers	1,851,032,440	1,862,865,614

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans and advances to customers during the 31 December 2025 is as follows:

Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	1,726,436,483	113,009,164	115,393,089	1,954,838,736
New assets originated or purchased	909,318,722	-	-	909,318,722
Assets repaid				
- <i>Principal</i>	(829,527,017)	(53,598,255)	(60,507,980)	(943,633,252)
- <i>Interest</i>	(141,702,063)	(7,054,633)	(4,182,689)	(152,939,385)
Transfers to Stage 1	38,514,625	(38,437,285)	(77,340)	-
Transfers to Stage 2	(30,594,810)	30,594,810	-	-
Transfers to Stage 3	(55,720,942)	(2,214,308)	57,935,250	-
Recognised interest income	142,858,513	6,670,661	3,388,201	152,917,375
Recoveries	-	-	103,890	103,890
Amounts written off	-	-	(517,452)	(517,452)
Foreign exchange adjustments	5,827,307	-	2,145,998	7,973,305
At 31 December 2025	1,765,410,818	48,970,154	113,680,967	1,928,061,939

Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(16,520,555)	(16,605,399)	(58,847,168)	(91,973,122)
New assets originated or purchased	(7,838,846)	-	-	(7,838,846)
Assets repaid				
- <i>Principal</i>	7,965,252	3,803,905	23,485,714	35,254,871
- <i>Interest</i>	1,232,002	1,031,161	1,784,692	4,047,855
Transfers to Stage 1	(10,673,212)	10,647,109	26,103	-
Transfers to Stage 2	36,860	(36,860)	-	-
Transfers to Stage 3	3,750,152	293,571	(4,043,723)	-
Net remeasurement of loss allowance	6,919,663	(6,093,372)	(17,273,286)	(16,446,995)
Recoveries	-	-	(103,890)	(103,890)
Amounts written off	-	-	517,452	517,452
Foreign exchange adjustments (loss)/gain	(138,881)	-	(347,943)	(486,824)
At 31 December 2025	(15,267,565)	(6,959,885)	(54,802,049)	(77,029,499)

An analysis of changes in the gross carrying value and corresponding ECL in relation to loans and advances to customers during the 31 December 2024 is as follows:

Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	1,792,196,505	2,297,978	101,003,598	1,895,498,081
New assets originated	1,113,184,836	-	-	1,113,184,836
Assets repaid				
- <i>Principal</i>	(1,005,882,363)	(5,369,784)	(40,894,548)	(1,052,146,695)
- <i>Interest</i>	(124,635,745)	(3,080,503)	(6,578,813)	(134,295,061)
Transfers to Stage 1	1,697,627	(483,525)	(1,214,102)	-
Transfers to Stage 2	(116,554,846)	116,554,846	-	-
Transfers to Stage 3	(56,844,376)	(216,756)	57,061,132	-
Recognised interest income	126,207,052	3,306,909	7,087,441	136,601,402
Recoveries	-	-	1,211,682	1,211,682
Amounts written off	-	-	(1,193,829)	(1,193,829)
Foreign exchange adjustments	(2,932,207)	(1)	(1,089,472)	(4,021,680)
At 31 December 2024	1,726,436,483	113,009,164	115,393,089	1,954,838,736
Loans and advances to customers	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(10,037,150)	(336,959)	(74,834,661)	(85,208,770)
New assets originated	(9,739,583)	-	-	(9,739,583)
Assets repaid				
- <i>Principal</i>	8,722,737	1,152,739	27,431,655	37,307,131
- <i>Interest</i>	1,262,699	827,549	3,472,545	5,562,793
Transfers to Stage 1	(1,279,008)	83,095	1,195,913	-
Transfers to Stage 2	373,481	(373,481)	-	-
Transfers to Stage 3	217,153	23,353	(240,506)	-
Net remeasurement of loss allowance	(6,115,986)	(17,981,694)	(16,043,930)	(40,141,610)
Recoveries	-	-	(1,211,682)	(1,211,682)
Amounts written off	-	-	1,193,829	1,193,829
Foreign exchange adjustments	75,106	(1)	189,665	264,770
At 31 December 2024	(16,520,551)	(16,605,399)	(58,847,172)	(91,973,122)

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate loans and advances to customers during the 31 December 2025 is as follows:

<i>Corporate loans</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying value as at 1 January 2025	896,024,600	112,168,996	96,692,055	1,104,885,651
New assets originated or purchased	617,854,292	-	-	617,854,292
Assets repaid				
- <i>Principal</i>	(571,071,027)	(53,207,426)	(52,845,573)	(677,124,026)
- <i>Interest</i>	(76,607,626)	(7,003,359)	(3,281,097)	(86,892,082)
Transfers to Stage 1	38,216,245	(38,216,245)	-	-
Transfers to Stage 2	(22,717,729)	22,717,729	-	-
Transfers to Stage 3	(54,033,206)	(1,993,572)	56,026,778	-
Recognised interest income	77,275,105	6,625,422	3,010,941	86,911,468
Recoveries	-	-	1,972	1,972
Amounts written off	-	-	-	-
Foreign exchange adjustments	5,751,269	-	2,145,998	7,897,267
At 31 December 2025	<u>910,691,923</u>	<u>41,091,545</u>	<u>101,751,074</u>	<u>1,053,534,542</u>
<i>Corporate loans</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
ECL as at 1 January 2025	(15,462,709)	(16,380,400)	(45,179,159)	(77,022,268)
New assets originated	(7,382,933)	-	-	(7,382,933)
Assets repaid				
- <i>Principal</i>	7,592,927	3,701,626	17,857,469	29,152,022
- <i>Interest</i>	1,143,185	1,018,843	1,127,103	3,289,131
Transfers to Stage 1	(10,576,739)	10,576,739	-	-
Transfers to Stage 2	12,164	(12,164)	-	-
Transfers to Stage 3	3,657,967	246,982	(3,904,949)	-
Net remeasurement of loss allowance	6,373,997	(3,576,554)	(15,912,871)	(13,115,428)
Recoveries	-	-	(1,972)	(1,972)
Amounts written off	-	-	-	-
Foreign exchange adjustments	(138,770)	-	(347,943)	(486,713)
At 31 December 2025	<u>(14,780,911)</u>	<u>(4,424,928)</u>	<u>(46,362,322)</u>	<u>(65,568,161)</u>

An analysis of changes in the gross carrying value and corresponding ECL in relation to corporate loans and advances to customers during the 31 December 2024 is as follows:

<i>Corporate loans</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying value as at 1 January 2024	1,116,392,553	1,319,171	76,491,188	1,194,202,912
New assets originated	653,467,024	-	-	653,467,024
Assets repaid				
- <i>Principal</i>	(703,334,328)	(4,996,004)	(33,195,149)	(741,525,481)
- <i>Interest</i>	(69,929,354)	(3,009,148)	(5,032,078)	(77,970,580)
Transfers to Stage 1	1,167,495	-	(1,167,495)	-
Transfers to Stage 2	(115,620,239)	115,620,239	-	-
Transfers to Stage 3	(53,996,765)	-	53,996,765	-
Recognised interest income	70,775,659	3,234,739	5,567,218	79,577,616
Recoveries	-	-	1,136,344	1,136,344
Amounts written off	-	-	(15,249)	(15,249)
Foreign exchange adjustments	(2,897,445)	(1)	(1,089,489)	(3,986,935)
At 31 December 2024	<u>896,024,600</u>	<u>112,168,996</u>	<u>96,692,055</u>	<u>1,104,885,651</u>
<i>Corporate loans</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
ECL as at 1 January 2024	(8,995,763)	(161,768)	(55,901,178)	(65,058,709)
New assets originated	(9,005,188)	-	-	(9,005,188)
Assets repaid				
- <i>Principal</i>	8,426,551	1,071,186	21,399,046	30,896,783
- <i>Interest</i>	1,181,805	807,910	2,438,108	4,427,823
Transfers to Stage 1	(1,167,485)	-	1,167,485	-
Transfers to Stage 2	369,008	(369,008)	-	-
Transfers to Stage 3	210,016	-	(210,016)	-
Net remeasurement of loss allowance	(6,556,812)	(17,728,720)	(13,141,203)	(37,426,735)
Amounts written off	-	-	(1,136,344)	(1,136,344)
Recoveries	-	-	15,249	15,249
Foreign exchange adjustments	75,159	-	189,694	264,853
At 31 December 2024	<u>(15,462,709)</u>	<u>(16,380,400)</u>	<u>(45,179,159)</u>	<u>(77,022,268)</u>

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans during the 31 December 2025 is as follows:

<i>Individual loans - Mortgage</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying value as at 1 January 2025	420,132,654	499,016	2,880,563	423,512,233
New assets originated	119,105,119	-	-	119,105,119
Assets repaid				
- <i>Principal</i>	(57,982,147)	(240,286)	(901,213)	(59,123,646)
- <i>Interest</i>	(35,340,421)	(22,701)	(136,715)	(35,499,837)
Transfers to Stage 1	274,904	(197,564)	(77,340)	-
Transfers to Stage 2	(901,182)	901,182	-	-
Transfers to Stage 3	(479,106)	(57,250)	536,356	-
Recognised interest income	35,780,826	18,784	96,979	35,896,589
At 31 December 2025	480,590,647	901,181	2,398,630	483,890,458

<i>Individual loans - Mortgage</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
ECL as at 1 January 2025	(498,383)	(165,754)	(1,508,037)	(2,172,174)
New assets originated	(119,429)	-	-	(119,429)
Assets repaid				
- <i>Principal</i>	69,817	79,477	388,581	537,875
- <i>Interest</i>	40,462	7,574	64,968	113,004
Transfers to Stage 1	(92,246)	66,143	26,103	-
Transfers to Stage 2	4,922	(4,922)	-	-
Transfers to Stage 3	3,514	18,857	(22,371)	-
Net remeasurement of loss allowance	484,993	(178,475)	(197,985)	108,533
At 31 December 2025	(106,350)	(177,100)	(1,248,741)	(1,532,191)

An analysis of changes in the gross carrying value and corresponding ECL in relation to mortgage loans during the 31 December 2024 is as follows:

<i>Individual loans - Mortgage</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying value as at 1 January 2024	324,920,556	349,591	2,164,780	327,434,927
New assets originated	163,341,876	-	-	163,341,876
Assets repaid				
- <i>Principal</i>	(66,894,312)	(274,860)	(529,746)	(67,698,918)
- <i>Interest</i>	(26,636,168)	(35,893)	(210,582)	(26,882,643)
Transfers to Stage 1	85,506	(38,899)	(46,607)	-
Transfers to Stage 2	(516,830)	516,830	-	-
Transfers to Stage 3	(1,250,744)	(51,217)	1,301,961	-
Recognised interest income	27,082,585	33,464	249,876	27,365,925
Amounts written off	-	-	(49,151)	(49,151)
Foreign exchange adjustments	185	-	32	217
At 31 December 2024	420,132,654	499,016	2,880,563	423,512,233

<i>Individual loans - Mortgage</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
ECL as at 1 January 2024	(70,623)	(77,866)	(624,463)	(772,952)
New assets originated	(226,037)	-	-	(226,037)
Assets repaid				
- <i>Principal</i>	34,895	66,991	190,555	292,441
- <i>Interest</i>	31,400	12,990	78,628	123,018
Transfers to Stage 1	(36,531)	8,103	28,428	-
Transfers to Stage 2	256	(256)	-	-
Transfers to Stage 3	885	6,826	(7,711)	-
Net remeasurement of loss allowance	(232,628)	(182,541)	(1,222,593)	(1,637,762)
Amounts written off	-	-	49,151	49,151
Foreign exchange adjustments	-	(1)	(32)	(33)
At 31 December 2024	(498,383)	(165,754)	(1,508,037)	(2,172,174)

An analysis of changes in the gross carrying value and corresponding ECL in relation to business loans during the 31 December 2025 is as follows:

<i>Individual loans - Business</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	46,684,950	45,168	10,073,086	56,803,204
New assets originated	21,078,777	-	-	21,078,777
Assets repaid				
- <i>Principal</i>	(19,730,563)	(38,950)	(4,016,583)	(23,786,096)
- <i>Interest</i>	(5,384,344)	(4,706)	(396,934)	(5,785,984)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(6,498,070)	6,498,070	-	-
Transfers to Stage 3	(414,553)	(5,954)	420,507	-
Recognised interest income	5,487,223	4,442	115,230	5,606,895
Recoveries	-	-	42,448	42,448
Amounts written off	-	-	(310,540)	(310,540)
Foreign exchange adjustments	1,035	-	-	1,035
At 31 December 2025	41,224,455	6,498,070	5,927,214	53,649,739
<i>Individual loans - Business</i>	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(153,800)	(5,596)	(7,881,048)	(8,040,444)
New assets originated	(34,731)	-	-	(34,731)
Assets repaid				
- <i>Principal</i>	58,491	5,093	3,188,061	3,251,645
- <i>Interest</i>	12,687	630	320,195	333,512
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	17,223	(17,223)	-	-
Transfers to Stage 3	628	440	(1,068)	-
Net remeasurement of loss allowance	(218,586)	(2,296,232)	(629,803)	(3,144,621)
Recoveries	-	-	(42,448)	(42,448)
Amounts written off	-	-	310,540	310,540
Foreign exchange adjustments	(1)	-	-	(1)
At 31 December 2025	(318,089)	(2,312,888)	(4,735,571)	(7,366,548)

An analysis of changes in the gross carrying value and corresponding ECL in relation to business loans during the 31 December 2024 is as follows:

<i>Individual loans – Business</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	34,543,600	-	12,519,822	47,063,422
New assets originated	27,856,564	-	-	27,856,564
Assets repaid				
- <i>Principal</i>	(15,220,508)	(6,685)	(2,233,157)	(17,460,350)
- <i>Interest</i>	(4,822,397)	(1,476)	(663,934)	(5,487,807)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(51,911)	51,911	-	-
Transfers to Stage 3	(551,314)	-	551,314	-
Recognised interest income	4,931,816	1,418	539,162	5,472,396
Recoveries	-	-	15,560	15,560
Amounts written off	-	-	(655,671)	(655,671)
Foreign exchange adjustments	(900)	-	(10)	(910)
At 31 December 2024	46,684,950	45,168	10,073,086	56,803,204

<i>Individual loans – Business</i>	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(113,065)	-	(10,051,034)	(10,164,099)
New assets originated	(53,642)	-	-	(53,642)
Assets repaid				
- <i>Principal</i>	38,640	-	1,503,612	1,542,252
- <i>Interest</i>	13,190	-	536,529	549,719
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	32	(32)	-	-
Transfers to Stage 3	1,189	-	(1,189)	-
Net remeasurement of loss allowance	(40,142)	(5,564)	(509,089)	(554,795)
Recoveries	-	-	(15,560)	(15,560)
Amounts written off	-	-	655,671	655,671
Foreign exchange adjustments	2	-	8	10
At 31 December 2024	(153,796)	(5,596)	(7,881,052)	(8,040,444)

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans during the 31 December 2025 is as follows:

<i>Individual loans - Consumer</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	317,804,242	288,145	5,525,044	323,617,431
New assets originated	130,520,772	-	-	130,520,772
Assets repaid				
- <i>Principal</i>	(148,037,872)	(108,546)	(2,401,734)	(150,548,152)
- <i>Interest</i>	(19,781,752)	(23,473)	(337,173)	(20,142,398)
Transfers to Stage 1	23,476	(23,476)	-	-
Transfers to Stage 2	(420,696)	420,696	-	-
Transfers to Stage 3	(485,422)	(152,295)	637,717	-
Recognised interest income	19,760,660	21,173	143,223	19,925,056
Recoveries	-	-	56,249	56,249
Amounts written off	-	-	(206,111)	(206,111)
Foreign exchange adjustments	73,518	-	-	73,518
At 31 December 2025	299,456,926	422,224	3,417,215	303,296,365

<i>Individual loans - Consumer</i>	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(377,081)	(49,549)	(4,198,078)	(4,624,708)
New assets originated	(172,596)	-	-	(172,596)
Assets repaid				
- <i>Principal</i>	193,097	17,641	1,911,132	2,121,870
- <i>Interest</i>	33,189	4,102	259,228	296,519
Transfers to Stage 1	(4,227)	4,227	-	-
Transfers to Stage 2	2,526	(2,526)	-	-
Transfers to Stage 3	4,537	27,041	(31,578)	-
Net remeasurement of loss allowance	264,040	(37,697)	(504,297)	(277,954)
Recoveries	-	-	(56,249)	(56,249)
Amounts written off	-	-	206,111	206,111
Foreign exchange adjustments	(107)	-	-	(107)
At 31 December 2025	(56,622)	(36,761)	(2,413,731)	(2,507,114)

An analysis of changes in the gross carrying value and corresponding ECL in relation to consumer loans during the 31 December 2024 is as follows:

<i>Individual loans - Consumer</i>	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	284,026,350	587,846	9,692,136	294,306,332
New assets originated	222,485,815	-	-	222,485,815
Assets repaid				
- <i>Principal</i>	(188,098,875)	(73,498)	(4,876,214)	(193,048,587)
- <i>Interest</i>	(18,716,828)	(31,082)	(658,334)	(19,406,244)
Transfers to Stage 1	444,626	(444,626)	-	-
Transfers to Stage 2	(353,020)	353,020	-	-
Transfers to Stage 3	(878,071)	(135,602)	1,013,673	-
Recognised interest income	18,927,956	32,087	715,585	19,675,628
Recoveries	-	-	59,678	59,678
Amounts written off	-	-	(421,475)	(421,475)
Foreign exchange adjustments	(33,711)	-	(5)	(33,716)
At 31 December 2024	317,804,242	288,145	5,525,044	323,617,431

<i>Individual loans - Consumer</i>	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(819,782)	(92,521)	(8,217,649)	(9,129,952)
New assets originated	(333,814)	-	-	(333,814)
Assets repaid				
- <i>Principal</i>	186,800	13,118	4,266,337	4,466,255
- <i>Interest</i>	33,323	6,433	413,514	453,270
Transfers to Stage 1	(74,992)	74,992	-	-
Transfers to Stage 2	3,864	(3,864)	-	-
Transfers to Stage 3	4,907	16,527	(21,434)	-
Net remeasurement of loss allowance	622,668	(64,234)	(1,000,638)	(442,204)
Recoveries	-	-	(59,678)	(59,678)
Amounts written off	-	-	421,475	421,475
Foreign exchange adjustments	(55)	-	(5)	(60)
At 31 December 2024	(377,081)	(49,549)	(4,198,078)	(4,624,708)

An analysis of changes in the gross carrying value and corresponding ECL in relation to auto loans during the 31 December 2025 is as follows:

<i>Individual loans – Auto</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying value as at 1 January 2025	43,728,679	7,839	92,455	43,828,973
New assets originated	11,033,649	-	-	11,033,649
Assets repaid				
- <i>Principal</i>	(22,813,760)	(3,047)	(37,086)	(22,853,893)
- <i>Interest</i>	(4,463,257)	(394)	(4,443)	(4,468,094)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(57,133)	57,133	-	-
Transfers to Stage 3	(110,798)	(5,237)	116,035	-
Recognised interest income	4,404,193	840	5,597	4,410,630
Recoveries	-	-	500	500
Amounts written off	-	-	(152)	(152)
At 31 December 2025	31,721,573	57,134	172,906	31,951,613
<i>Individual loans – Auto</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
ECL as at 1 January 2025	(22,892)	(4,100)	(23,227)	(50,219)
New assets originated	(4,800)	-	-	(4,800)
Assets repaid				
- <i>Principal</i>	11,627	68	10,101	21,796
- <i>Interest</i>	2,182	12	1,015	3,209
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	25	(25)	-	-
Transfers to Stage 3	494	251	(745)	-
Net remeasurement of loss allowance	8,288	(4,414)	(22,318)	(18,444)
Recoveries	-	-	(500)	(500)
Amounts written off	-	-	152	152
At 31 December 2025	(5,076)	(8,208)	(35,522)	(48,806)

An analysis of changes in the gross carrying value and corresponding ECL in relation to auto loans during the 31 December 2024 is as follows:

<i>Individual loans – Auto</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying value as at 1 January 2024	29,628,097	41,370	100,351	29,769,818
New assets originated	35,603,500	-	-	35,603,500
Assets repaid				
- <i>Principal</i>	(21,523,792)	(18,737)	(51,990)	(21,594,519)
- <i>Interest</i>	(4,162,542)	(2,904)	(10,668)	(4,176,114)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(12,846)	12,846	-	-
Transfers to Stage 3	(43,456)	(29,937)	73,393	-
Recognised interest income	4,239,718	5,201	12,826	4,257,745
Recoveries	-	-	100	100
Amounts written off	-	-	(31,557)	(31,557)
Foreign exchange adjustments	-	-	-	-
At 31 December 2024	43,728,679	7,839	92,455	43,828,973

<i>Individual loans – Auto</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
ECL as at 1 January 2024	(34,311)	(4,804)	(28,236)	(67,351)
New assets originated	(15,744)	-	-	(15,744)
Assets repaid				
- <i>Principal</i>	16,041	1,444	7,903	25,388
- <i>Interest</i>	2,479	216	1,803	4,498
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	321	(321)	-	-
Transfers to Stage 3	34	-	(34)	-
Net remeasurement of loss allowance	8,288	(635)	(36,120)	(28,467)
Recoveries	-	-	(100)	(100)
Amounts written off	-	-	31,557	31,557
Foreign exchange adjustments	-	-	-	-
At 31 December 2024	(22,892)	(4,100)	(23,227)	(50,219)

An analysis of changes in the gross carrying value and corresponding ECL in relation to credit card loans during the 31 December 2025 is as follows:

<i>Individual loans – Credit card</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying value as at 1 January 2025	2,061,358	-	129,886	2,191,244
New assets originated	9,726,113	-	-	9,726,113
Assets repaid				
- <i>Principal</i>	(9,891,648)	-	(305,791)	(10,197,439)
- <i>Interest</i>	(124,663)	-	(26,327)	(150,990)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(197,857)	-	197,857	-
Recognised interest income	150,506	-	16,231	166,737
Recoveries	-	-	2,721	2,721
Amounts written off	-	-	(649)	(649)
Foreign exchange adjustments	1,485	-	-	1,485
At 31 December 2025	<u>1,725,294</u>	<u>-</u>	<u>13,928</u>	<u>1,739,222</u>

<i>Individual loans – Credit card</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
ECL as at 1 January 2025	(5,690)	-	(57,619)	(63,309)
New assets originated	(124,357)	-	-	(124,357)
Assets repaid				
- <i>Principal</i>	39,293	-	130,370	169,663
- <i>Interest</i>	297	-	12,183	12,480
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	83,012	-	(83,012)	-
Net remeasurement of loss allowance	6,931	-	(6,012)	919
Recoveries	-	-	(2,721)	(2,721)
Amounts written off	-	-	649	649
Foreign exchange adjustments	(3)	-	-	(3)
At 31 December 2025	<u>(517)</u>	<u>-</u>	<u>(6,162)</u>	<u>(6,679)</u>

An analysis of changes in the gross carrying value and corresponding ECL in relation to credit card loans during the 31 December 2024 is as follows:

<i>Individual loans – Credit Card</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Gross carrying value as at 1 January 2024	2,685,349	-	35,321	2,720,670
New assets originated	10,430,057	-	-	10,430,057
Assets repaid				
- <i>Principal</i>	(10,810,548)	-	(8,292)	(10,818,840)
- <i>Interest</i>	(368,456)	-	(3,217)	(371,673)
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(124,026)	-	124,026	-
Recognised interest income	249,318	-	2,774	252,092
Recoveries	-	-	-	-
Amounts written off	-	-	(20,726)	(20,726)
Foreign exchange adjustments	(336)	-	-	(336)
At 31 December 2024	<u>2,061,358</u>	<u>-</u>	<u>129,886</u>	<u>2,191,244</u>
<i>Individual loans – Credit Card</i>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
ECL as at 1 January 2024	(3,606)	-	(12,101)	(15,707)
New assets originated	(105,158)	-	-	(105,158)
Assets repaid				
- <i>Principal</i>	19,810	-	64,202	84,012
- <i>Interest</i>	502	-	3,963	4,465
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	122	-	(122)	-
Net remeasurement of loss allowance	82,640	-	(134,287)	(51,647)
Recoveries	-	-	-	-
Amounts written off	-	-	20,726	20,726
Foreign exchange adjustments	-	-	-	-
At 31 December 2024	<u>(5,690)</u>	<u>-</u>	<u>(57,619)</u>	<u>(63,309)</u>

Analysis by credit quality of loans and advances to customers outstanding as at 31 December 2025 is as follows:

	Corporate	Mortgage loans	Consumer loans	Business loans	Auto loans	Credit cards	Total
Stage 1 (12-months ECL)	910,691,923	480,590,647	299,456,926	41,224,455	31,721,573	1,725,294	1,765,410,818
Stage 2 (lifetime ECL):	41,091,545	901,181	422,224	6,498,070	57,134	-	48,970,154
<i>not past due</i>	41,082,287	881,167	393,594	6,306,436	54,271	-	48,717,755
<i>less than 30 days</i>	9,258	-	-	138,637	-	-	147,895
<i>30 to 90 days overdue</i>	-	20,014	28,630	52,997	2,863	-	104,504
Stage 3 (lifetime ECL):	101,751,074	2,398,630	3,417,215	5,927,214	172,906	13,928	113,680,967
<i>not past due</i>	70,794,450	2,180,185	721,282	4,319,706	116,130	11,320	78,143,073
<i>less than 30 days</i>	18,813	157	130	-	-	-	19,100
<i>30 to 90 days overdue</i>	12,386	1,420	820	5,232	684	-	20,542
<i>over 90 days overdue</i>	30,925,425	216,868	2,694,983	1,602,276	56,092	2,608	35,498,252
Total gross loans and advances to customers	1,053,534,542	483,890,458	303,296,365	53,649,739	31,951,613	1,739,222	1,928,061,939
Less: Credit loss allowance	(65,568,161)	(1,532,191)	(2,507,114)	(7,366,548)	(48,806)	(6,679)	(77,029,499)
Total net loans and advances to customers	987,966,381	482,358,267	300,789,251	46,283,191	31,902,807	1,732,543	1,851,032,440

Analysis by credit quality of loans and advances to customers outstanding as at 31 December 2024 is as follows:

	Corporate	Mortgage loans	Consumer loans	Business loans	Auto loans	Credit cards	Total
Stage 1 (12-months ECL)	896,024,600	420,132,654	317,804,242	46,684,950	43,728,679	2,061,358	1,726,436,483
Stage 2 (lifetime ECL):	112,168,996	499,016	288,145	45,168	7,839	-	113,009,164
<i>not past due</i>	52,542,771	-	-	-	-	-	52,542,771
<i>less than 30 days</i>	57,167,720	-	-	-	-	-	57,167,720
<i>30 to 90 days overdue</i>	2,458,505	499,016	288,145	45,168	7,839	-	3,298,673
Stage 3 (lifetime ECL):	96,692,055	2,880,563	5,525,044	10,073,086	92,455	129,886	115,393,089
<i>not past due</i>	50,722,820	1,463,116	142,236	2,049,591	7,651	13,101	54,398,515
<i>less than 30 days</i>	788,912	253,576	23,215	-	13,813	-	1,079,516
<i>30 to 90 days overdue</i>	356,606	69,509	284,553	21,515	2,453	-	734,636
<i>over 90 days overdue</i>	44,823,717	1,094,362	5,075,040	8,001,980	68,538	116,785	59,180,422
Total gross loans and advances to customers	1,104,885,651	423,512,233	323,617,431	56,803,204	43,828,973	2,191,244	1,954,838,736
Less: Credit loss allowance	(77,022,268)	(2,172,174)	(4,624,708)	(8,040,444)	(50,219)	(63,309)	(91,973,122)
Total net loans and advances to customers	1,027,863,383	421,340,059	318,992,723	48,762,760	43,778,754	2,127,935	1,862,865,614

The fair value of collateral in respect of Stage 3 loans and advances to customers excluding the effect of overcollateralization at 31 December 2025 was as follows:

	Corporate	Business loans	Consumer	Mortgage	Auto	Credit cards	Total
Real estate	80,426,776	4,203,910	2,024,886	2,100,882	34,702	-	88,791,156
Equipment	12,164,227	-	-	-	-	-	12,164,227
Cash	4,468,369	-	1,263	5,400	-	-	4,475,032
Guarantees	5,223	2,840	554,042	210,283	35,402	11,320	819,110
Vehicles	72,729	-	-	-	44,802	-	117,531
Other	1,062	-	-	-	-	-	1,062
Total	97,138,386	4,206,750	2,580,191	2,316,565	114,906	11,320	106,368,118

The fair value of collateral in respect of Stage 3 loans and advances to customers excluding the effect of overcollateralization at 31 December 2024 was as follows:

	Corporate	Business loans	Consumer	Mortgage	Auto	Credit cards	Total
Real estate	76,500,783	9,738,852	4,150,694	2,479,460	7,088	-	92,876,877
Equipment	12,719,380	-	-	-	-	-	12,719,380
Cash	8,372	-	1,206	98,340	-	-	107,918
Guarantees	-	3,558	669,750	233,816	28,287	13,101	948,512
Vehicles	-	-	-	-	15,937	-	15,937
Other	1,182	-	-	-	-	-	1,182
Total	89,229,717	9,742,410	4,821,650	2,811,616	51,312	13,101	106,669,806

As at 31 December 2025 and 2024 the Bank has 3 and 6 customers with gross balance totaling AZN 263,029,369 and AZN 410,716,308, respectively, which individually exceeded 10% of the Bank's equity.

As at December 31, 2025, accrued interest income included in loans to customers amounted to AZN 16,611,610 (December 31, 2024: AZN 17,042,001).

As at 31 December 2025 and 2024 loans to customers included loans in the gross amount of AZN 192,107,702 and AZN 310,949,491 respectively, whose terms have been renegotiated during the year.

A significant amount of corporate loans (100% of loans to customers) is granted to companies operating in the Republic of Azerbaijan, which represents significant geographical concentration in one region.

18. Investment securities

Investment securities comprise:

	31 December 2025	31 December 2024
Equity securities at FVOCI	254,585	294,059
Debt securities at amortised cost	221,536,788	290,883,914
Less: Allowance for impairment losses	(603,777)	(1,259,653)
Total investment securities	221,187,596	289,918,320

As at 31 December 2025, accrued interest income included in investment securities amounted to AZN 3,434,824 (31 December, 2024: AZN 5,378,803).

Equity securities at FVOCI	Share %	31 December 2025	Share %	31 December 2024
Azerbaijan Credit Bureau LLC	12.5	250,000	12.5	250,000
Millikart LLC	-	-	0.67	40,000
Other		4,585		4,059
Total equity securities		254,585		294,059

Debt securities at amortised cost	Coupon rate	31 December 2025	Coupon rate	31 December 2024

Bonds issued by Ministry of Finance of the Republic of Azerbaijan	6-7.5%	155,192,272	6-7.5%	164,368,154
Eurobonds issued by CJSC Southern Gas Corridor	6.9%	20,797,462	6.9%	20,884,558
Bonds issued by the Azerbaijan Caspian Shipping CJSC (ASCO)	6%	17,334,333	6%	17,334,333
Foreign Government Bonds	5-7%	10,456,403	5-7%	14,365,345
Notes issued by European Bank for Reconstruction and Development	AZIR	9,261,187	-	-
Bonds issued by SOCAR	4.5%	6,770,501	4.5%	6,770,501
Bonds issued by other financial institutions	5-6%	1,724,630	5-6%	1,690,717
Bonds issued by SOCAR Polymer		-	5%	65,470,306
		221,536,788		290,883,914
Less: allowance for impairment		(603,777)		(1,259,653)
Total debt securities		220,933,011		289,624,261

All balances of investment securities are allocated to Stage 1.

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost during the 31 December 2025 is as follows:

<i>Debt securities at amortised cost</i>	Gross carrying amount	ECL
Balance as at 1 January 2025	290,883,914	(1,259,653)
New assets purchased	25,411,334	(6,975)
Assets repaid	(114,777,702)	36,036
Recognised interest income	18,860,463	(38,710)
Net remeasurement of ECL	-	676,129
Foreign exchange adjustments	1,158,779	(10,604)
At 31 December 2025	221,536,788	(603,777)

An analysis of changes in the gross carrying values and associated ECLs in relation to debt securities at amortized cost during the 31 December 2024 is as follows:

<i>Debt securities at amortised cost</i>	Gross carrying amount	ECL
Balance as at 1 January 2024	460,131,458	(1,672,033)
New assets purchased	192,040,017	(55,768)
Assets repaid	(379,989,172)	170,760
Assets sold	(7,889,100)	33,810
Recognised interest income	27,089,706	(77,730)
Net remeasurement of ECL	-	333,001
Foreign exchange adjustments	(498,995)	8,307
At 31 December 2024	290,883,914	(1,259,653)

An analysis of changes in the fair values in relation to debt securities measured at fair value through profit or loss during the 31 December 2025 is as follows:

<i>Debt securities at FVTPL</i>	Fair value
Balance as at 1 January 2025	-
New assets purchased	105,394,171
Assets sold	(105,412,159)
Recognised interest income	17,988
At 31 December 2025	-

19. Property, equipment and right-of-use assets

	Land	Buildings	Computers	Vehicles	Furniture & Equipment	Other Equipment	Leasehold Improvements	Construction in progress	Right-of-use assets	Total
Cost at										
31 December 2023	1,149,138	98,932,484	14,748,220	9,144,785	18,606,424	1,704,748	846,511	184,625	4,140,220	149,457,155
Additions	-	-	991,867	1,147,320	2,537,479	99,472	-	-	803,166	5,579,304
Reamusement	-	-	-	-	-	-	-	-	6,377,588	6,377,588
Modification	-	-	-	-	-	-	-	-	429,496	429,496
Disposals	-	(24,672,740)	(443,450)	(1,012,799)	(802,277)	(26,238)	-	(184,625)	-	(27,142,129)
Cost at										
31 December 2024	1,149,138	74,259,744	15,296,637	9,279,306	20,341,626	1,777,982	846,511	-	11,750,470	134,701,414
Additions	-	-	1,273,712	886,060	2,474,290	33,217	-	7,982,772	898,614	13,548,665
Modification	-	-	-	-	-	-	-	-	343,633	343,633
Disposals	-	-	-	(112,654)	-	(24,261)	-	-	-	(136,915)
Transfers	-	7,223,152	-	-	-	-	-	(7,223,152)	-	-
Cost at										
31 December 2025	1,149,138	81,482,896	16,570,349	10,052,712	22,815,916	1,786,938	846,511	759,620	12,992,717	148,456,797
Accumulated depreciation at										
31 December 2023	-	(29,706,366)	(10,020,447)	(6,698,262)	(14,994,841)	(1,432,760)	(712,206)	-	(3,697,671)	(67,262,553)
Charge for the year	-	(2,538,704)	(2,025,923)	(828,788)	(1,258,900)	(37,231)	(67,152)	-	(720,416)	(7,477,114)
Disposals	-	615,742	433,708	979,336	799,298	18,763	-	-	-	2,846,847
Accumulated depreciation at										
31 December 2024	-	(31,629,328)	(11,612,662)	(6,547,714)	(15,454,443)	(1,451,228)	(779,358)	-	(4,418,087)	(71,892,820)
Charge for the year	-	(2,505,802)	(1,350,666)	(835,804)	(1,791,455)	(37,961)	(67,153)	-	(1,094,611)	(7,683,452)
Disposals	-	-	-	112,654	-	24,261	-	-	-	136,915
Accumulated depreciation at										
31 December 2025	-	(34,135,130)	(12,963,328)	(7,270,864)	(17,245,898)	(1,464,928)	(846,511)	-	(5,512,698)	(79,439,357)
NBV at										
31 December 2024	1,149,138	42,630,416	3,683,975	2,731,592	4,887,183	326,754	67,153	-	7,332,383	62,808,594
NBV at										
31 December 2025	1,149,138	47,347,766	3,607,021	2,781,848	5,570,018	322,010	-	759,620	7,480,019	69,017,440

Right-of-use assets are for 8 branches as at 31 December 2025 (31 December 2024: 8). Addition to Right-of-use assets is related with the land area near the Head Office of the Bank. As at 31 December 2025 included in the closing balance of premises and equipment were fully depreciated assets still in use with the total initial cost of AZN 29,054,271 (31 December 2024: AZN 26,834,642).

20. Intangible assets

Intangible assets comprise:

	<u>Licenses</u>	<u>Computer software</u>	<u>Total</u>
Cost at 31 December 2023	4,384,854	8,312,186	12,697,040
Additions	56,805	385,763	442,568
Cost at 31 December 2024	4,441,659	8,697,949	13,139,608
Additions	255,884	396,121	652,005
Cost at 31 December 2025	4,697,543	9,094,070	13,791,613
Accumulated amortization at 31 December 2023	(1,916,530)	(4,669,758)	(6,586,288)
Charge for the year	(342,429)	(588,020)	(930,449)
Accumulated amortization at 31 December 2024	(2,258,959)	(5,257,778)	(7,516,737)
Charge for the year	(350,243)	(653,299)	(1,003,542)
Accumulated amortization at 31 December 2025	(2,609,202)	(5,911,077)	(8,520,279)
NBV at 31 December 2024	2,182,700	3,440,171	5,622,871
NBV at 31 December 2025	2,088,341	3,182,993	5,271,334

Intangible assets include software and licenses. Additions to intangible assets during the year ended 31 December, 2025 included security software, corporate internet banking software, bank accounting software modules and other licenses in the amount of AZN 652,005 (31 December 2024 included security software, corporate internet banking software, bank accounting software modules and other licenses in the amount of AZN 442,568).

21. Other assets

Other assets comprise:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Other financial assets		
Settlements on money transfers and plastic cards	5,850,050	6,981,954
Accrued interest on other operations	9,216	17,098
Receivables on other transactions	1,208,030	1,250,376
Allowance for receivables on other transactions	(482,783)	(340,417)
Total other financial assets	6,584,513	7,909,011
Other non-financial assets		
Collateral repossessed	11,788,157	21,167,138
Deferred expenses	6,608,745	5,557,668
Prepayments for purchase of property and equipment	673,084	5,105,769
Prepayments for purchases of intangible assets	579,907	23,013
Prepaid operating taxes	239,365	784,406
Other	146,967	84,401
Total other non-financial assets	20,036,225	32,722,395
Total other assets	26,620,738	40,631,406

Movements in repossessed collaterals during the years ended December 31, 2025 and 2024 are as follows::

	<u>2025</u>	<u>2024</u>
Balance at January 1	21,167,138	21,862,398
Additions	92,450	-
Change in fair value less cost to sell	2,026,010	177,400
Sale of repossessed collaterals	<u>(11,497,441)</u>	<u>(872,660)</u>
Balance at December 31	<u>11,788,157</u>	<u>21,167,138</u>

As at 31 December 2025 and 2024 repossessed collaterals mainly represent immovable properties confiscated by the Bank for loans determined to be credit impaired.

22. Amounts due to banks

Amounts due to banks comprise:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Short-term deposits from other banks	185,113,281	184,982,710
Correspondent accounts and overnight placement of other banks	33,193,163	18,671,011
Payables under repurchase agreements with financial institutions	-	105,088,999
Total due to other banks	<u>218,306,444</u>	<u>308,742,720</u>

As at 31 December 2025 short-term placements of other banks and financial institutions included several placements of resident banks, bearing interest rates of 1.10%-8% per annum with maturities to the end of first quarter of 2026 (31 December, 2024: placements of resident banks, bearing interest rates of 2%-8% per annum with maturities to the end of 2025).

As at 31 December 2025, there is AZN 20,781 accrued interest included in amounts due to banks and other financial institutions (31 December, 2024: AZN 363,709).

As at 31 December, 2025 the Bank has three banks and other financial institutions (31 December, 2024: three banks) with outstanding balance exceeding 10% of total due to banks and other financial institutions. The gross value of this balance as at 31 December, 2025 is AZN 188,954,329 (31 December, 2024: AZN 276,944,455).

23. Customer accounts

Customer accounts comprise:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Time deposits	1,328,927,000	1,199,146,964
Repayable on demand	<u>771,997,412</u>	<u>771,816,246</u>
Total customer accounts	<u>2,100,924,412</u>	<u>1,970,963,210</u>

Economic sector concentrations within customer accounts are as follows:

	31 December 2025	31 December 2024
Individuals	849,671,501	964,075,961
Trade and Services	369,057,109	336,714,418
Energy	228,203,286	232,408,325
Insurance	221,815,813	84,305,291
Construction	137,440,485	110,982,742
Investing	107,267,869	84,485,131
Financing	84,700,972	13,748,400
Transport and communication	40,485,363	40,926,465
Manufacturing	20,861,977	27,724,658
Agriculture	6,538,032	12,404,517
Other	34,882,005	63,187,302
Total customer accounts	2,100,924,412	1,970,963,210

As at 31 December, 2025 the Bank had 130 customers (31 December 2024: 205 customers) with balances above AZN 1,000,000. The aggregate balance of these customers was AZN 1,871,091,039 (31 December 2024: AZN 1,723,366,311) or 89% (31 December 2023: 88%) of total customer accounts.

Included in customer accounts in the amount of AZN 9,986,107 and AZN 6,803,713 as at 31 December 2025 and 2024, respectively is accrued interest payable.

Included in customer accounts in the amount of AZN 331,000,514 and AZN 367,568,108 as at 31 December 2025 and 2024, respectively are deposits blocked as collateral for loans issued.

Included in customer accounts in the amount of AZN 142,506,479 and AZN 96,296,198 as at 31 December 2025 and 2024, respectively are deposits and current accounts secured by the Azerbaijan Deposit Insurance Fund.

24. Term borrowings

	31 December 2025	31 December 2024
Borrowings from Azerbaijan Mortgage and Credit Guarantee Fund	215,455,010	189,145,788
Borrowings from Entrepreneurship Development Fund	53,103,870	63,521,541
Total term borrowings	268,558,880	252,667,329

As at 31 December 2025 and 2024 included in loans received from local credit institutions are loans from the Entrepreneurship Development Fund of Azerbaijan Republic amounting to AZN 53,103,870 and AZN 63,521,541, respectively. Under this program, funds made available to the Bank at an interest rate of 1% p.a. and the Bank further on lends these funds to eligible borrowers at rates not higher than 6% p.a. These loans have maturity periods up to 10 years.

As at 31 December 2025 and 2024 included in loans received from local credit institutions are loans from the Mortgage and Credit Guarantee Fund of the Republic of Azerbaijan amounting to AZN 215,455,010 and AZN 189,145,788, respectively. Under this program, funds made available to the Bank at interest rates of 1-4% p.a. and the Bank further on lends these funds to eligible borrowers at rates not higher than 8% p.a. These loans have maturity periods from 5 to 30 years.

Azerbaijan Mortgage and Credit Guarantee Fund and Entrepreneurship Development Fund works with majority of the banks in the Republic of Azerbaijan and applies the same interest rate to all of these banks. Thus, separate market concept is applied to borrowings taken from Azerbaijan Mortgage and Credit Guarantee Fund and Entrepreneurship Development Fund.

As at 31 December 2025, accrued interest payable included in term borrowings amounted to AZN 627,442 (31 December, 2024: AZN 556,871).

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

	<u>2025</u>	<u>2024</u>
1 January	252,667,329	240,132,989
Cash Flows		
Proceeds	52,917,351	47,287,918
Repayments	(37,096,371)	(34,901,359)
Interest paid	(7,199,185)	(6,392,871)
Non-cash changes		
Interest expense	7,269,756	6,540,652
31 December	<u>268,558,880</u>	<u>252,667,329</u>

25. Lease liability

The Bank leases some of its branches. The leases typically run for a period of one to ten years.

The Bank also leases areas for its ATMs with a period of one to ten years. The areas for ATMs are not exactly defined in contracts and the Bank cannot control the economic benefits from the use of those spaces, i.e. does not have right to direct the use of the identified asset.

	<u>31 December 2025</u>	<u>31 December 2024</u>
Lease liability (current)	1,104,565	799,641
Lease liability (non-current)	7,350,944	6,905,456
Total lease liabilities	<u>8,455,509</u>	<u>7,705,097</u>

The increase in lease liabilities during the reporting period is primarily attributable to the recognition of a new lease, and modification of two branches based on a decision by the Bank's Board of Directors.

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

	<u>Minimum lease payments due</u>		
	<u>Within one year</u>	<u>One to ten years</u>	<u>Total</u>
Lease payments	1,104,565	11,635,780	12,740,345
Finance charges	-	(4,284,836)	(4,284,836)
Net present value as at 31 December 2025	<u>1,104,565</u>	<u>7,350,944</u>	<u>8,455,509</u>

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

	<u>Minimum lease payments due</u>		
	<u>Within one year</u>	<u>One to eleven years</u>	<u>Total</u>
Lease payments	844,647	11,199,014	12,043,661
Finance charges	(45,006)	(4,293,558)	(4,338,564)
Net present value as at 31 December 2024	<u>799,641</u>	<u>6,905,456</u>	<u>7,705,097</u>

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

	<u>2025</u>	<u>2024</u>
Balance at January 1	7,705,097	455,834
Changes from financing cash flows		
Payments	(1,266,165)	(970,999)
Other changes		
Interest expense	774,330	610,012
Remeasurement	-	6,377,588
New leases	898,614	803,166
Modification	343,633	429,496
Balance at 31 December	<u>8,455,509</u>	<u>7,705,097</u>

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. Interest rate used in leases range between 9-10% (2024: 9-10%). Management estimates leased branches will be used for a period of 10 years.

26. Debt securities in issue

	<u>31 December 2025</u>	<u>31 December 2024</u>
Debt securities in issue	12,028,167	-
Total debt securities in issue	<u>12,028,167</u>	<u>-</u>

On September 9, 2025, "Xalq" Bank OJSC issued debt securities in the amount of AZN 7,000,000 which bear annual interest rates of 6%, and mature at September 9, 2026.

On December 29, 2025, "Xalq" Bank OJSC issued debt securities in the amount of AZN 5,000,000 which bear annual interest rates of 9%, and mature at December 29, 2027.

As at December 31, 2025, accrued interest payable included in debt securities in issue amounted to AZN 28,167 (December 31, 2024: zero).

A reconciliation of the opening and closing amounts of debt securities in issue with relevant cash and non-cash changes from financing activities is stated below:

	<u>2025</u>	<u>2024</u>
1 January	-	-
Cash Flows		
Proceeds	12,000,000	-
Interest paid	(105,000)	-
Non-cash changes		
Interest expense	133,167	-
31 December	<u>12,028,167</u>	<u>-</u>

27. Other liabilities

Other liabilities comprise:

	<u>31 December 2025</u>	<u>31 December 2024</u>
Other financial liabilities		
Settlements on money transfers and plastic cards	14,847,758	5,216,824
Accrued expenses	2,572,120	1,246,367
Payables on other transactions	105,806	313,546
Total financial liabilities	<u>17,525,684</u>	<u>6,776,737</u>
Other non-financial liabilities		
Payables to the employees	5,294,757	4,658,330
Payables to the State Social Protection Fund	1,613,087	1,448,265
Payables to the Deposit Insurance Fund	1,321,438	1,561,800
Deferred revenue	871,934	575,509
Taxes other than income tax	360,965	878,753
Provision for guarantees and other commitments	542,976	923,084
Other	1,938,898	1,641,097
Total non-financial other liabilities	<u>11,944,055</u>	<u>11,686,838</u>
Total other liabilities	<u>29,469,739</u>	<u>18,463,575</u>

An analysis of changes in ECL allowance on guarantees and similar commitments during the year ended 31 December, 2025 is as follows:

	<u>2025</u>	<u>2024</u>
ECL allowance as at 1 January 2025	(923,084)	(350,109)
Recovery/(provision) for expected credit losses	<u>380,108</u>	<u>(572,975)</u>
As at 31 December 2024	<u>(542,976)</u>	<u>(923,084)</u>

28. Share capital

	<u>Number of outstanding ordinary shares</u>	<u>Ordinary shares</u>	<u>Share premium</u>	<u>Total</u>
As at 31 December 2024	<u>3,630,300</u>	<u>415,596,744</u>	<u>-</u>	<u>415,596,744</u>
As at 31 December 2025	<u>3,630,300</u>	<u>446,599,506</u>	<u>-</u>	<u>446,599,506</u>

The nominal value of the registered amount of the Bank's issued share capital as at 31 December, 2025 is AZN 446,599,506 (31 December, 2024: AZN 415,596,744).

Shareholders of the bank increased the share capital of the bank by AZN 31,002,762 during the year ended 2025 by capitalizing retained earnings.

As at 31 December 2025 all ordinary shares have a nominal value of AZN 123.02 per share (31 December 2024: AZN 114.48 per share) and rank equally. Each share carries one vote. During the year ended 31 December 2025, AZN 25,012,767 dividends (AZN 6.89 per share) were declared and paid (31 December 2024: AZN 60,081,465 (AZN 16.55 per share)).

29. Commitments and contingencies

Legal proceedings – From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these separate financial statements.

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 separate 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 31 December, 2025 and 2024 (Note **Error! Reference source not found.**).

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 in the event that 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 authorizing 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 authorizations 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. 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. 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 amount of credit related commitments are, as follows:

	31 December 2025	31 December 2024
Credit related commitments		
Unused credit lines	119,020,387	135,043,862
Letters of credit	3,672,000	2,230,665
Financial guarantees	40,149,642	108,948,313
	162,842,029	246,222,840
Performance guarantees	151,332,600	56,531,669
Commitments and contingencies before deducting collateral and provision	314,174,629	302,754,509
Provisions for ECL for credit related commitments	(542,976)	(923,084)
Cash held as security against letters of credit and guarantees	(3,738,957)	(23,080,527)

An analysis of changes in the ECL allowance during the 31 December 2025 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	(918,982)	-	(4,102)	(923,084)
New exposures	(2,124,373)	-	(4,463,374)	(6,587,747)
Amounts paid	-	-	-	-
Exposures expired or derecognised	2,204,311	-	4,405,579	6,609,890
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	-	-	-	-
Net remeasurement of ECL	356,800	-	1,165	357,965
At 31 December 2025	(482,244)	-	(60,732)	(542,976)

An analysis of changes in the ECL allowance during the 31 December 2024 is as follows:

	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	(136,758)	(213,353)	-	(350,111)
New exposures	(2,539,178)	-	(432,851)	(2,972,029)
Amounts paid	-	-	-	-
Exposures expired or derecognised	1,764,875	-	432,198	2,197,073
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	2,086	-	(2,086)	-
Net remeasurement of ECL	(10,007)	213,353	(1,363)	201,983
At 31 December 2024	(918,982)	-	(4,102)	(923,084)

30. Operating segments

See accounting policy in Note 2 – Operating segments

(a) Basis for segmentation

The Bank has the following three strategic divisions, which are reportable segments. These divisions offer different products and services, and are managed separately based on the Bank's management and internal reporting structure:

Reportable segments	Operations
Corporate Banking	Loans, deposits and other transactions and balances with corporate customers
Retail Banking	Loans, deposits and other transactions and balances with retail customers
Central Treasury	Funding and centralised risk management activities through borrowings, issues of debt securities, use of derivatives for risk management purposes and investing in liquid assets such as short- term placements and corporate and government debt securities

The Bank's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service levels. Ongoing review of these segments is carried out by the respective local management teams, while the CODM performs regular reviews based on financial information. The CODM obtains separate financial statements for each segment. Such financial information overlaps with segment analysis provided internally to the CODM.

(b) Information about reportable segments

Information related to each reportable segment is set out below. Segment profit before tax, as included in internal management reports reviewed by the Bank's Management Committee, is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate within the same industries. Inter-segment pricing is determined on an arm's length basis.

Segment reporting

	<i>Corporate</i>		<i>Retail</i>		<i>Treasury</i>		<i>Unallocated</i>		<i>Total</i>	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Interest income	86,911,468	79,577,616	66,005,907	57,023,786	69,378,153	44,672,134	-	-	222,295,528	181,273,536
Interest expense	(76,505,705)	(28,529,130)	(14,370,650)	(15,444,721)	(6,591,752)	(5,690,882)	-	-	(97,468,107)	(49,664,733)
Net interest income	10,405,763	51,048,486	51,635,257	41,579,065	62,786,401	38,981,252	-	-	124,827,421	131,608,803
Credit loss recovery/(expense) on interest bearing assets	11,456,079	(10,842,464)	3,073,982	4,095,965	534,702	399,835	-	-	15,064,763	(6,346,664)
Net interest income after credit loss expense	21,861,842	40,206,022	54,709,239	45,675,030	63,321,103	39,381,087	-	-	139,892,184	125,262,139
Fee and commission income	8,448,179	7,857,378	24,875,495	22,018,772	33,403	25,515	-	-	33,357,077	29,901,665
Net gain on foreign exchange operations	967,922	1,400,939	666,641	1,361,446	1,672,251	1,343,933	1,896,717	2,433,678	5,203,531	6,539,996
Net gain on precious metals operations	-	-	-	-	7,879,453	3,406,393	-	-	7,879,453	3,406,393
Net (loss)/gain on sale of investment securities	-	-	-	-	4,193	(29,715)	-	-	4,193	(29,715)
Other income	780,525	234,585	1,152,491	1,587,425	-	-	9,072,890	3,339,396	11,005,906	5,161,406
Non-interest income	10,196,626	9,492,902	26,694,627	24,967,643	9,589,300	4,746,126	10,969,607	5,773,074	57,450,160	44,979,745
Personnel expenses	(19,252,600)	(16,124,618)	(28,870,425)	(24,179,828)	(2,125,100)	(1,779,834)	(7,891,736)	(6,609,565)	(58,139,861)	(48,693,845)
General and administrative expenses	-	-	(5,672,025)	(6,359,157)	-	-	(16,506,579)	(15,600,011)	(22,178,604)	(21,959,168)
Fee and commission expense	(2,355,355)	(2,513,571)	(23,523,592)	(17,333,995)	(147,180)	(100,988)	-	-	(26,026,127)	(19,948,554)
Depreciation and amortization	(2,876,636)	(2,784,104)	(4,313,687)	(4,174,931)	(317,523)	(307,309)	(1,179,148)	(1,141,219)	(8,686,994)	(8,407,563)
Recovery of provision for impairment losses on non-interest bearing assets	(91,004)	-	(51,362)	-	-	-	-	-	(142,366)	-
Recovery of provision for impairment losses on guarantees and other commitments	380,108	(572,975)	-	-	-	-	-	-	380,108	(572,975)
Non-interest expense	(24,195,487)	(21,995,268)	(62,431,091)	(52,047,911)	(2,589,803)	(2,188,131)	(25,577,463)	(23,350,795)	(114,793,844)	(99,582,105)
Profit before income tax	7,862,981	27,703,656	18,972,775	18,594,762	70,320,600	41,939,082	(14,607,856)	(17,577,721)	82,548,500	70,659,779
Income tax expense	(1,572,596)	(5,540,731)	(3,794,555)	(3,718,952)	(14,064,120)	(8,387,816)	4,039,772	3,494,632	(15,391,499)	(14,152,867)
Net profit for the year	6,290,385	22,162,925	15,178,220	14,875,810	56,256,480	33,551,266	(10,568,084)	(14,083,089)	67,157,001	56,506,912
Asset	1,008,932,406	1,105,770,109	873,037,559	841,277,434	1,215,680,795	1,037,880,189	71,987,111	70,045,428	3,169,637,871	3,054,973,160
Liability	(1,305,069,475)	(1,076,392,653)	(1,069,212,880)	(1,149,242,159)	(230,538,281)	(308,791,143)	(33,405,814)	(31,249,938)	(2,638,226,450)	(2,565,675,893)

31. Transactions with related parties

Ultimate controlling party

As at 31 December 2025, the Bank is ultimately owned by Mrs. Leyla Aliyeva, Mrs. Arzu Aliyeva and Mr. Arif Pashayev (31 December 2024: Mrs. Leyla Aliyeva, Mrs. Arzu Aliyeva and Mr. Arif Pashayev), who exercise joint control over the Bank.

Transactions with related parties

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding as at 31 December 2025 and 2024 with related parties:

	31 December 2025			31 December 2024		
	Related party transactions	Interest rate, %	Total category as per financial statements caption	Related party transactions	Interest rate, %	Total category as per financial statements caption
Loans to customers			1,928,061,939			1,954,838,736
- <i>shareholders and entities controlled by shareholders of the Bank</i>	140,878,417	2%-12%		143,807,839	2%-12%	
- <i>key management personnel of the entity</i>	1,716,369	5%-12%		1,861,686	5%-10%	
- <i>other related party</i>	429,717	2.5%-15%		480,575	3%-7%	
Allowance for impairment losses			(77,029,499)			(91,973,122)
- <i>shareholders and entities controlled by shareholders of the Bank</i>	(2,249,341)			(2,695,622)		
- <i>key management personnel of the entity</i>	(827)			(2,294)		
- <i>other related party</i>	(170)			(525)		
Customer accounts			2,100,924,412			1,970,963,210
- <i>shareholders and entities controlled by shareholders of the Bank</i>	537,333,765	0.4%-10.5%		609,505,207	0.4%-8%	
- <i>key management personnel of the entity</i>	1,314,148	2.5%-10.5%		1,194,972	0.5%- 6%	
- <i>other related party</i>	2,855,317	1.75%-12%		182,412,471	0.4%-6.25%	
Debt securities in issue			(12,028,167)			-
<i>Shareholders and entities controlled by shareholders of the Bank</i>	(12,014,567)	6%-9%		-	-	
<i>Key management personnel of the entity</i>	-			-		
<i>Other related party</i>	(100)	9%		-	-	
Guarantees issued			191,482,242			165,479,982
- <i>shareholders and entities controlled by shareholders of the Bank</i>	12,159,988	0%-3%		10,760,061	0%-3%	
Unused loan commitments			119,020,387			135,043,862
- <i>shareholders and entities controlled by shareholders of the Bank</i>	14,286,505	2%-12%		8,751,250	2%-12%	
- <i>key management personnel of the entity</i>	371,761	5%-12%		372,534	5%-10%	
- <i>other related party</i>	62,178	3.75%-15%		66,220	2.5%-12%	
Lease liabilities			8,455,509			7,705,097
- <i>shareholders and entities controlled by shareholders of the Bank</i>	1,109,226			1,009,693		
- <i>key management personnel of the entity</i>	-			-		
- <i>other related party</i>	-			-		
Cash and cash equivalents			776,208,829			461,243,022
- <i>shareholders and entities controlled by shareholders of the Bank</i>	286,756			78,138		
- <i>key management personnel of the entity</i>	-			-		
- <i>other related party</i>	-			-		
Amount due to banks			218,306,444			308,742,720
- <i>shareholders and entities controlled by shareholders of the Bank</i>	9,720,104	2.73%		9,390,778	3.55%	
- <i>key management personnel of the entity</i>	-			-		
- <i>other related party</i>	-			-		
Amount due from credit institutions			160,550,729			270,611,583
- <i>shareholders and entities controlled by shareholders of the Bank</i>	44,720,030	2.75%-6.75%		33,218,412	3.75%-6%	
- <i>key management personnel of the entity</i>	-			-		
- <i>other related party</i>	-			-		

Included in the unconsolidated income statement for the years ended 31 December 2025 and 2024 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2025		Year ended 31 December 2024	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income		222,295,528		181,273,536
- <i>shareholders and entities controlled by shareholders of the Bank</i>	10,248,064		8,139,347	
- <i>key management personnel of the entity</i>	150,502		129,964	
- <i>other related party</i>	36,792		26,606	
Interest expense		(97,468,107)		(49,664,733)
- <i>shareholders and entities controlled by shareholders of the Bank</i>	(11,523,641)		(12,351,274)	
- <i>key management personnel of the entity</i>	(39,683)		(26,702)	
- <i>other related party</i>	(85,407)		(1,027,003)	
Fee and commission income		33,357,077		29,901,665
- <i>shareholders and entities controlled by shareholders of the Bank</i>	1,575,622		3,208,607	
- <i>key management personnel of the entity</i>	4,360		12,422	
- <i>other related party</i>	5,462		88,950	
Fee and comission expense		(26,026,127)		(19,948,554)
<i>Shareholders and entities in which a substantial interest is owned by shareholders of the Group</i>	(6,514)		-	
<i>Key management personnel of the entity</i>	(1,241)		-	
<i>Other related parties</i>	(2,347)		-	
Other income		11,005,906		5,161,406
- <i>shareholders and entities controlled by shareholders of the Bank</i>	4,818,623		1,731,941	
- <i>key management personnel of the entity</i>	-		874	
- <i>other related party</i>	10		1,008	
General and administrative expenses		(22,178,604)		(21,959,168)
- <i>shareholders and entities controlled by shareholders of the Bank</i>	(114,508)		(350,860)	
- <i>key management personnel of the entity</i>	(70,194)		(55,944)	
- <i>other related party</i>			-	
Key management personnel compensation				
short-term employee benefits	(3,767,284)	(58,139,861)	(3,993,382)	(48,693,845)

32. Earnings per share

The calculation of basic earnings per share as at December 31, 2025 is based on the earnings attributable to ordinary shareholders of AZN 67,157,001 (2024: AZN 56,506,912), and a weighted average number of ordinary shares outstanding of 3,630,000 (December 31, 2024: 3,630,300) calculated as follows.

	<u>2025</u>	<u>2024</u>
Net earnings attributable to ordinary shareholders	67,157,001	56,506,912
Weighted average number of ordinary shares for the year ended December 31 (thousands of shares)	3,630,300	3,630,300
Basic and diluted earnings per share (AZN)	<u>18.50</u>	<u>15.57</u>

33. Fair value of financial instruments

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

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data;
- Level 3 – inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

For the purpose of fair value disclosures, the Bank's has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	Level 1	Level 2	Level 3	31 December, 2025 Total
Assets measured at fair value				
Investment securities	-	-	254,585	254,585
Assets for which fair values are disclosed				
Cash and cash equivalents	776,208,829	-	-	776,208,829
Amounts due from credit institutions	-	160,550,729	-	160,550,729
Investment securities at amortised cost	33,001,977	189,518,278	-	222,520,255
Loans to customers	-	-	1,827,041,585	1,827,041,585
Other financial assets	-	-	6,584,513	6,584,513
Assets	809,210,806	350,069,007	1,833,880,683	2,993,160,496
Liabilities for which fair values are disclosed				
Amounts due to banks	-	218,306,444	-	218,306,444
Terms borrowings	-	268,558,880	-	268,558,880
Customer accounts	-	642,814,579	1,476,644,412	2,119,458,991
Lease liability	-	-	8,455,509	8,455,509
Debt securities in issue	-	11,916,383	-	11,916,383
Other financial liabilities	-	-	17,525,684	17,525,684
Liabilities	-	1,141,596,286	1,502,625,605	2,644,221,891
				31 December 2024 Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Investment securities	-	-	294,059	294,059
Assets for which fair values are disclosed				
Cash and cash equivalents	461,243,022	-	-	461,243,022
Amounts due from credit institutions	-	270,611,583	-	270,611,583
Investment securities at amortised cost	61,691,983	228,786,875	-	290,478,858
Loans to customers	-	-	1,844,016,503	1,844,016,503
Other financial assets	-	-	7,909,011	7,909,011
Assets	522,935,005	499,398,458	1,852,219,573	2,874,553,036
Liabilities for which fair values are disclosed				
Amounts due to banks and credit institutions	-	308,742,720	-	308,742,720
Term borrowings	-	252,667,329	-	252,667,329
Customer accounts	-	591,971,589	1,392,695,136	1,984,666,725
Lease liability	-	-	7,705,097	7,705,097
Debt securities in issue	-	-	-	-
Other financial liabilities	-	-	6,776,737	6,776,737
Liabilities	-	1,153,381,638	1,407,176,970	2,560,558,608

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 separate statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2025		31 December 2024	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	776,208,829	776,208,829	461,243,022	461,243,022
Amounts due from credit institutions	160,550,729	160,550,729	270,611,583	270,611,583
Loans to customers	1,851,032,440	1,827,041,585	1,862,865,614	1,844,016,503
Investment securities	221,187,596	222,774,840	289,918,320	290,772,917
Other financial assets	6,584,513	6,584,513	7,909,011	7,909,011
Financial liabilities				
Amounts due to banks	218,306,444	218,306,444	308,742,720	308,742,720
Customer accounts	2,100,924,412	2,119,458,991	1,970,963,210	1,984,666,725
Term borrowings	268,558,880	268,558,880	252,667,329	252,667,329
Lease liability	8,455,509	8,455,509	7,705,097	7,705,097
Debt securities in issue	12,028,167	11,916,383	-	-
Other financial liabilities	17,525,684	17,525,684	6,776,737	6,776,737

Valuation techniques and assumptions

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 separate financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having 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.

Investment securities

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

Financial assets and financial liabilities carried at amortized cost

The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to banks and other financial assets and liabilities, obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

34. Financial Risk Management

Management of risk is fundamental to the banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank's risk management policies in relation to those risks follows. The Bank manages the following risks:

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed 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. 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.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the separate statement of financial position.

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank 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 separate statement of financial position, including derivatives and loan commitments, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying value represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Impairment assessment

The Bank calculates ECL based on several probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- PD The *Probability of Default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The *Exposure at Default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The *Loss Given Default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECL that represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2 and Stage 3.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECL.
- POCI: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECL are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Definition of default and cure

A financial instrument impairment event is determined at the borrower level for all portfolios except for the retail borrowers' portfolio. For retail borrowers, the impairment event is determined at the financial instrument level. The Bank considers a financial asset to be in default when:

- More than 90 calendar days of overdue debt at the reporting date for all segments except transactions with financial institutions and issuers of securities;
- More than 7 working days of overdue debt at the reporting date for transactions with financial institutions and issuers of securities;
- The counterparty / issuer was declared bankrupt by the court, or the court introduced bankruptcy procedures in relation to the borrower. This criterion applies to all portfolios with the exception of the portfolio of retail borrowers;
- Assignment of a regulatory quality category 4 or 5 to the contract at the reporting date;
- Default / forced restructuring due to the financial difficulties of the borrower (applicable except for transactions with financial institutions and securities). Default / forced restructuring refers to a change in the terms of a contract recognized as a forced restructuring by the Bank, which are a consequence of the borrower's inability to perform the obligations specified in the contract, and are caused by a deterioration in the credit quality of the borrower;
- Revocation of the license and the introduction of an interim administration (applicable to financial institutions and issuers of securities).

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency of forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Bank determines a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. Probation criteria for recovery and transfer of financial instruments to Stage 1 are as follows:

- No overdue debt (0 days overdue) for three consecutive reporting months for retail borrowers;
- No overdue debt or overdue indebtedness for twelve consecutive reporting months for corporate counterparties and individual entrepreneurs with annuity payments.

Generating the term structure of PD

The Bank collects performance and default information about its credit risk by type of product as well as by borrower's segment. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Treasury and interbank relationships

The Bank's treasury and interbank relationships and counterparties comprise financial services institutions, banks, broker-dealers, exchanges and clearing-houses. For these relationships, the Bank's credit risk department analyses publicly available information such as financial information and other external data, e.g., the external ratings, and assigns the internal rating, as shown in the table below.

Corporate and small business lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Bank. The credit risk assessment is based on a credit scoring model that takes into account various historical, current and forward-looking information such as:

- Historical financial information together with forecasts and budgets prepared by the client. This financial information includes realised and expected results, solvency ratios, liquidity ratios and any other relevant ratios to measure the client's financial performance. Some of these indicators are captured in covenants with the clients and are, therefore, measured with greater attention.
- Any publicly available information on the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports, publicly traded bond prices or press releases and articles.
- Any other objectively supportable information on the quality and abilities of the client's management relevant for the company's performance.

The complexity and granularity of the rating techniques varies based on the exposure of the Bank and the complexity and size of the customer. Some of the less complex small business loans are rated within the Bank's models for retail products.

Consumer lending and residential mortgages

Consumer lending comprises unsecured personal loans, credit cards and overdrafts. These products along with residential mortgages and some of the less complex small business lending are rated by an automated scorecard tool primarily driven by debt to income (DTI), loan to value (LTV) and payment to income (PTI) ratios.

The Bank's internal credit rating grades are as follows:

<i>International external rating agency (Fitch) rating</i>	<i>Internal rating description</i>	<i>Lifetime PD</i>
AA+ to AAA AA A+ to AA- A-	High grade	0 – 0.12%
BBB+ BBB BBB- BB+ BB- to BB B- to B+	Standard grade	0.12 - 8.37%
CCC CCC-	Sub-standard grade	8.37 - 100%
D	Impaired	100%

The internal credit ratings presented above are specifically applied for cash and cash equivalents, due from banks, and investment securities.

These ratings align with the international external rating agency scale and are used to assign risk grades and corresponding lifetime Probability of Default (PD) values for these financial instruments.

For loans to customers, internal credit grades are initially determined at the time of loan origination, based on the borrower's creditworthiness and internal risk assessment frameworks.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed above under the heading “Generating the term structure of PD”.

The Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider repayments of principal and interest amounts for defaulted customers in each segment. In corporate portfolio, recovery amounts are computed on a customer base, while it in credit cards and consumer loan portfolios it is calculated on a contract level. They are calculated on a discounted cash flow basis using first available contractual rate as the discounting factor, as it is considered as the best proxy of effective interest rate at origination.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EAD is potential future amounts that may be drawn under the contract, which are estimated based on historical observations.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower’s extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of an advance or terminate a loan commitment.

Significant increase in credit risk

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting period. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower, and the geographical region. What is considered significant will differ for different types of lending, in particular between corporate and retail.

As a general indicator, credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Bank’s qualitative criteria:

- the presence of the fact of overdue debt for 31-90 days for all segments except transactions with financial institutions and issuers of securities;
- the presence of the fact of debt overdue by 1-7 working days for transactions with financial institutions and issuers of securities;
- reduction of financial support from the parent company or another affiliated enterprise;
- the Bank receives reliable negative information about products issued to the borrower.

Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Quantitative criteria (are applied only in the presence of external ratings):

- The relative change in the external rating at the reporting date compared to the external rating at the recognition date according to the criteria given in table below.

Criteria for determining a significant increase in credit risk depending on the value of the external rating upon initial recognition.

	Counterparty external rating at initial recognition			Significant increase in credit risk assigned:
	Moody's	Fitch	S&P	
1	AAA	AAA	AAA	
2	Aa1	AA+	AA+	
3	Aa2	AA	AA	
4	Aa3	AA-	AA-	Low credit risk: criterion is not applied
5	A1	A+	A+	
6	A2	A	A	
7	A3	A-	A-	
8	Baa1	BBB+	BBB+	
9	Baa2	BBB	BBB	
10	Baa3	BBB-	BBB-	
11	Ba1	BB+	BB+	Decrease of rating by 2 notches
12	Ba2	BB	BB	
13	Ba3	BB-	BB-	
14	B1	B+	B+	
15	B2	B	B	
16	B3	B-	B-	Decrease of rating by 1 notch
17	Caa1			
18	Caa2	CCC-C	CCC-C	
19	Caa3			
20	Ca-C			
21	D	D	D	

Forward-looking information and multiple economic scenarios

In its ECL models, the Bank relies on a broad range of forward looking information as economic inputs, such as:

- Real GDP;
- Consumer Price Index;
- Oil price;

The Bank formulates one economic scenario: a base case. The base case is aligned with information used by the Bank for other purposes such as strategic planning and budgeting. The historical data of defaults use the statistics of CBAR on the share of overdue loans in total loans to individuals in the banking system. The assessment of the impact of macroeconomic information should be made at least on an annual basis.

The Bank has identified and documented key drivers of credit risk and credit losses for the entire loan portfolio (including the securities portfolio, requirements for financial institutions), using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The key driver is Real GDP growth forecast. The economic scenarios used as at 31 December 2024 included the following key indicators for the Republic of Azerbaijan for the years ending 31 December 2025 through 2029.

Years	Real GDP growth rate
2025	2.3%
2026	2.3%
2027	2.3%
2028	2.4%
2029	2.5%

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 5 years.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank internal credit ratings, as described above. The table below shows the credit quality by class of asset in the separate statement of financial position, based on the Bank's credit rating system.

31 December 2025	Note		High grade	Standard grade	Sub-standard grade	Total
Cash and cash equivalents, except for cash on hand	14	Stage 1	627,781,602	102,640,508	-	730,422,110
Amount due from credit institutions	15	Stage 1	22,350,382	138,200,347	-	160,550,729
Investment securities - Debt securities at amortised cost	17	Stage 1	9,241,965	211,691,046	-	220,933,011
Total			639,484,768	472,421,082	-	1,111,905,850

31 December 2024	Note		High grade	Standard grade	Sub-standard grade	Total
Cash and cash equivalents, except for cash on hand	14	Stage 1	303,733,371	112,583,176	-	416,316,547
Amount due from credit institutions	15	Stage 1	2,357,755	268,253,828	-	270,611,583
Investment securities - Debt securities at amortised cost	17	Stage 1	-	289,624,261	-	289,624,261
Total			306,091,126	670,461,265	-	976,552,391

Geographical concentration

The Assets and Liabilities Management Committee exercises control over the risk in the legislation and regulatory arena and assess its influence on the Bank's activity. This approach allows the Bank to minimize potential losses from the investment climate fluctuations in the Republic of Azerbaijan.

The geographical concentration of assets and liabilities for the year ended 31 December, 2025 is set out below:

	The Republic of Azerbaijan	OECD countries	CIS and other countries	31 December, 2025 Total
Assets				
Cash and cash equivalents	147,449,723	628,010,506	748,600	776,208,829
Precious metals	15,168,527	-	-	15,168,527
Amounts due from credit institutions	86,104,976	74,445,753	-	160,550,729
Loans to customers	1,850,325,915	629,950	76,575	1,851,032,440
Investment securities	209,040,563	-	12,147,033	221,187,596
Investment in subsidiaries	42,111,135	-	-	42,111,135
Property, equipment and right-of-use assets	69,017,440	-	-	69,017,440
Intangible assets	5,271,334	-	-	5,271,334
Deferred income tax asset	2,469,103	-	-	2,469,103
Other assets	23,553,000	74	3,067,664	26,620,738
Total assets	2,450,511,716	703,086,283	16,039,872	3,169,637,871
Liabilities				
Amounts due to banks	13,243,355	-	205,063,089	218,306,444
Customer accounts	1,979,386,079	22,021,134	99,517,199	2,100,924,412
Term borrowings	268,558,880	-	-	268,558,880
Current income tax liability	483,299	-	-	483,299
Lease liability	8,455,509	-	-	8,455,509
Debt securities in issue	12,028,167	-	-	12,028,167
Other liabilities	26,897,619	2,572,120	-	29,469,739
Total liabilities	2,309,052,908	24,593,254	304,580,288	2,638,226,450
Net position	141,458,808	678,493,029	(288,540,416)	531,411,421

The geographical concentration of assets and liabilities for the year ended 31 December, 2024 is set out below:

	The Republic of Azerbaijan	OECD countries	CIS and other countries	31 December 2024 Total
Assets				
Cash and cash equivalents	71,957,758	1,433,837	387,851,427	461,243,022
Precious metals	15,396,404	-	-	15,396,404
Amounts due from credit institutions	179,069,665	-	91,541,918	270,611,583
Loans to customers	1,862,808,950	36,790	19,874	1,862,865,614
Investment securities	273,924,276	-	15,994,044	289,918,320
Investment in subsidiaries	42,102,675	-	-	42,102,675
Property, equipment and right-of use assets	62,808,594	-	-	62,808,594
Intangible assets	5,622,871	-	-	5,622,871
Deferred income tax assets	3,772,671	-	-	3,772,671
Other assets	38,667,061	78,830	1,885,515	40,631,406
Total assets	2,556,130,925	1,549,457	497,292,778	3,054,973,160
Liabilities				
Amounts due to banks	117,996,238	190,746,482	-	308,742,720
Customer accounts	1,821,590,515	22,869,047	126,503,648	1,970,963,210
Term borrowings	252,667,329	-	-	252,667,329
Current income tax liability	7,133,962	-	-	7,133,962
Lease liability	7,705,097	-	-	7,705,097
Other liabilities	17,248,568	1,215,007	-	18,463,575
Total liabilities	2,224,341,709	214,830,536	126,503,648	2,565,675,893
Net position	331,789,216	(213,281,079)	370,789,130	489,297,267

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations arising from its financial obligations. It refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions.

In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is part of the assets/liabilities management process. The Executive Board and Supervisory Board set limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals under both normal and stressed conditions. They also set parameters for the risk diversification of the liability base.

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 31 December 2025 and 2024, these ratios were as follows:

	2025 (%) unaudited	2024 (%) Unaudited
Instant Liquidity Ratio (assets receivable or realizable within one day/liabilities repayable on demand)	122.66	54.14

The Bank's liquidity policy is comprised of the following:

- Projecting cash flows and maintaining the level of liquid assets necessary to ensure liquidity in various time-bands;
- Maintaining a funding plan commensurate with the Bank's strategic goals;
- Maintaining a diverse range of funding sources thereby increasing the Bank's borrowing capacity, domestically as well as from foreign sources;
- Maintaining highly liquid and high-quality assets;
- Adjusting its product base by time bands against available funding sources;
- Daily monitoring of liquidity ratios against regulatory requirements; and
- Constant monitoring of asset and liability structures by time-bands.

The treasury function within the Bank is charged with the following responsibilities:

- Compliance with the liquidity requirements of the Central Bank of the Republic of Azerbaijan as well as with the liquidity requirement covenants contained in the agreements with foreign lending sources;
- Daily reports to management, including reporting to management on the forecast levels of cash flows in the main currencies (AZN, USD, EUR), cash positions, changes in the separate statement of financial position;
- Constantly controlling/monitoring the level of liquid assets;
- Monitoring of deposit and other liability concentrations; and
- Maintaining a plan for the instant increase of cash to provide liquidity under stressed conditions.

Established by, appointed by and reporting directly to the Supervisory Board are the Executive Board, the Executive Committee, RMC, ALCO, the Audit Committee ("AC"), the Internal Audit Department and the Credit Committee.

RMC is responsible for ensuring that Treasury properly manages the Bank's liquidity position. ALCO is responsible for ensuring the liquidity risk, currency risk and interest rate risk are maintained at appropriate levels taking into account the strategic plan and other internal policies of the Bank. The Risk Management Department is responsible for controlling these activities. Decisions on liquidity positions and management are made by the Executive Board. Funding plans are approved by the Supervisory Board.

The table below shows liabilities at 31 December, 2025 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

“Xalq Bank” Open Joint Stock Company

Notes to the separate financial statements for the year ended 31 December 2025 (in Azerbaijan manats)

The undiscounted maturity analysis of financial liabilities by contractual maturities at 31 December 2025 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 month	From 12 months to 5 years	Over 5 years	No maturity	Total
Liabilities							
Amounts due to banks	(214,566,685)	(3,422,667)	(510,000)	-	-	-	(218,499,352)
Customer accounts	(836,877,655)	(247,091,967)	(826,726,480)	(239,865,866)	-	-	(2,150,561,968)
Term borrowings	(1,268,628)	(4,541,886)	(18,637,147)	(91,907,735)	(231,043,878)	-	(347,399,274)
Lease liability	(50,262)	(135,260)	(919,047)	(5,511,720)	(6,124,060)	-	(12,740,349)
Debt securities in issue	(72,500)	(173,167)	(7,521,833)	(5,447,500)	-	-	(13,215,000)
Other financial liabilities	(17,525,684)	-	-	-	-	-	(17,525,684)
Total financial liabilities	<u>(1,070,361,414)</u>	<u>(255,364,947)</u>	<u>(854,314,507)</u>	<u>(342,732,821)</u>	<u>(237,167,938)</u>	<u>-</u>	<u>(2,759,941,627)</u>
Credit related commitments	<u>314,174,628</u>						

The undiscounted maturity analysis of financial liabilities by contractual maturities at 31 December, 2024 is as follows:

	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 month	From 12 months to 5 years	Over 5 years	No maturity	Total
Liabilities							
Amounts due to banks	(216,472,146)	(1,244,411)	(92,864,704)	-	-	-	(310,581,261)
Customer accounts	(817,890,371)	(222,909,323)	(752,969,428)	(203,387,806)	-	-	(1,997,156,928)
Term borrowings	(1,126,480)	(4,264,089)	(19,133,880)	(95,016,470)	(201,826,427)	-	(321,367,346)
Lease liability	(33,982)	(75,335)	(735,330)	(4,730,298)	(6,468,716)	-	(12,043,661)
Other financial liabilities	(6,776,737)	-	-	-	-	-	(6,776,737)
Total financial liabilities	<u>(1,042,299,716)</u>	<u>(228,493,158)</u>	<u>(865,703,342)</u>	<u>(303,134,574)</u>	<u>(208,295,143)</u>	<u>-</u>	<u>(2,647,925,933)</u>
Credit related commitments	<u>302,754,509</u>						

Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Azerbaijan Civil Code, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

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Notes to the separate financial statements for the year ended 31 December 2025
(in Azerbaijan manats)

The table presents an analysis of liquidity position of the Bank’s financial assets and liabilities by expected maturities as at 31 December 2025:

	Demand and less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity undefined	Total
31 December 2025							
ASSETS							
Cash and cash equivalents	776,208,829	-	-	-	-	-	776,208,829
Amounts due from credit institutions	86,104,976	36,918	71,903,512	-	2,505,323	-	160,550,729
Loans to customers	75,276,300	100,776,700	336,101,135	962,740,708	376,137,597	-	1,851,032,440
Investment securities	191,391	39,559,954	138,411,125	42,770,541	-	254,585	221,187,596
Other financial assets	6,584,513	-	-	-	-	-	6,584,513
Total financial assets	944,366,009	140,373,572	546,415,772	1,005,511,249	378,642,920	254,585	3,015,564,107
LIABILITIES							
Amounts due to banks	214,395,972	3,400,472	510,000	-	-	-	218,306,444
Customer accounts	828,991,999	237,238,177	802,410,035	232,284,201	-	-	2,100,924,412
Term borrowings	627,442	3,503,776	13,711,058	68,427,096	182,289,508	-	268,558,880
Lease liability	49,869	132,613	863,254	4,214,973	3,194,800	-	8,455,509
Debt securities in issue	-	28,167	7,000,000	5,000,000	-	-	12,028,167
Other financial liabilities	17,525,684	-	-	-	-	-	17,525,684
Total financial liabilities:	1,061,590,966	244,303,205	824,494,347	309,926,270	185,484,308	-	2,625,799,096
Liquidity gap	(117,224,957)	(103,929,633)	(278,078,575)	695,584,979	193,158,612	254,585	389,765,011

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Notes to the separate financial statements for the year ended 31 December 2025 (in Azerbaijan manats)

The table presents an analysis of liquidity position of the Bank’s financial assets and liabilities by expected maturities as at 31 December, 2024:

	Demand and less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Maturity undefined	Total
31 December 2024							
ASSETS							
Cash and cash equivalents	378,076,238	83,166,784	-	-	-	-	461,243,022
Amounts due from credit institutions	179,069,675	24,233,691	64,906,577	-	2,401,640	-	270,611,583
Loans to customers	94,890,298	97,767,251	338,557,071	950,443,015	381,207,979	-	1,862,865,614
Investment securities	2,030,249	4,064,753	79,115,011	204,414,248	-	294,059	289,918,320
Other financial assets	7,909,011	-	-	-	-	-	7,909,011
Total financial assets	661,975,471	209,232,479	482,578,659	1,154,857,263	383,609,619	294,059	2,892,547,550
LIABILITIES							
Amounts due to banks	216,332,720	510,000	91,900,000	-	-	-	308,742,720
Customer accounts	818,691,185	217,622,576	740,256,988	194,392,461	-	-	1,970,963,210
Term borrowings	556,871	3,373,662	14,854,539	74,665,555	159,216,702	-	252,667,329
Lease liability	35,093	73,882	690,666	3,631,839	3,273,617	-	7,705,097
Other financial liabilities	6,776,737	-	-	-	-	-	6,776,737
Total financial liabilities:	1,042,392,606	221,580,120	847,702,193	272,689,855	162,490,319	-	2,546,855,093
Liquidity gap	(380,417,135)	(12,347,641)	(365,123,534)	882,167,408	221,119,300	294,059	345,692,457

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Notes to the separate financial statements for the year ended 31 December 2025

(in Azerbaijan manats)

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Bank is exposed. There have been no changes as to the way the Bank measures risk or to the risk it is exposed in 2025.

The Bank is exposed to interest rate risks as entities in the Bank borrow funds at both fixed and floating rates. The risk is managed by the Bank maintaining an appropriate mix between fixed and floating rate borrowings.

The ALMC also manages interest rate and market risks by matching the Bank's interest rate position, which provides the Bank with a positive interest margin. The Department of Financial Control conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in interest rates and its influence on the Bank's profitability.

The majority of the Bank's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Interest rate risk

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Department of Financial Control conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in fair value interest rates and its influence on the Bank's profitability.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on “reasonably possible changes in the risk variable”. The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit before tax:

	31 December 2025		31 December, 2024	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Financial assets				
Cash and cash equivalents	6,878,293	(6,878,293)	3,813,470	(3,813,470)
Amounts due from credit institutions	537,401	(537,401)	908,580	(908,580)
Loans to customers	18,411,370	(18,411,370)	18,539,731	(18,539,731)
Investment securities	2,174,982	(2,174,982)	2,842,455	(2,842,455)
Financial liabilities				
Amounts due to banks	(2,146,975)	2,146,975	(2,891,980)	2,891,980
Customer accounts	(13,189,409)	13,189,409	(11,960,135)	11,960,135
Term borrowings	(2,679,314)	2,679,314	(2,521,105)	2,521,105
Lease liability	(84,555)	84,555	(77,051)	77,051
Debt securities in issue	(120,000)	120,000	-	-

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Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

	Demand and less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2025							
ASSETS							
Cash and cash equivalents	687,829,297	-	-	-	-	88,379,532	776,208,829
Amounts due from credit institutions	-	-	51,278,913	-	2,461,201	106,810,615	160,550,729
Loans to customers	65,582,403	100,763,539	336,060,581	962,704,384	376,026,048	9,895,485	1,851,032,440
Investment securities	-	37,214,688	137,512,052	42,771,446	-	3,689,410	221,187,596
Other financial assets	-	-	-	-	-	6,584,513	6,584,513
Total financial assets	753,411,700	137,978,227	524,851,546	1,005,475,830	378,487,249	215,359,555	3,015,564,107
LIABILITIES							
Amounts due to banks	211,297,545	3,400,000	-	-	-	3,608,899	218,306,444
Customer accounts	55,503,825	236,043,812	796,212,595	231,180,651	-	781,983,529	2,100,924,412
Term borrowings	-	3,503,776	13,711,058	68,427,096	182,289,508	627,442	268,558,880
Lease liability	49,869	132,613	863,254	4,214,973	3,194,800	-	8,455,509
Debt securities in issue	-	-	7,000,000	5,000,000	-	28,167	12,028,167
Other financial liabilities	-	-	-	-	-	17,525,684	17,525,684
Total financial liabilities:	266,851,239	243,080,201	817,786,907	308,822,720	185,484,308	803,773,721	2,625,799,096
Interest rate gap	486,560,461	(105,101,974)	(292,935,361)	696,653,110	193,002,941	(588,414,166)	389,765,011

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	Demand and less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
31 December 2024							
ASSETS							
Cash and cash equivalents	298,180,178	83,166,784	-	-	-	79,896,060	461,243,022
Amounts due from credit institutions	-	23,769,591	64,730,625	-	2,357,756	179,753,611	270,611,583
Loans to customers	85,997,754	97,767,251	338,557,071	950,443,015	381,207,979	8,892,544	1,862,865,614
Investment securities	-	1,698,674	78,132,537	204,414,248	-	5,672,861	289,918,320
Other financial assets	-	-	-	-	-	7,909,011	7,909,011
Total financial assets	384,177,932	206,402,300	481,420,233	1,154,857,263	383,565,735	282,124,087	2,892,547,550
LIABILITIES							
Amounts due to banks institutions	197,298,000	91,900,000	-	-	-	19,544,720	308,742,720
Customer accounts	48,249,262	217,573,279	735,810,025	194,380,957	-	774,949,687	1,970,963,210
Term borrowings	-	3,373,662	14,854,539	74,665,555	159,216,702	556,871	252,667,329
Lease liability	35,093	73,882	690,666	3,631,839	3,273,617	-	7,705,097
Other financial liabilities	-	-	-	-	-	6,776,737	6,776,737
Total financial liabilities:	245,582,355	312,920,823	751,355,230	272,678,351	162,490,319	801,828,015	2,546,855,093
Interest rate gap	138,595,577	(106,518,523)	(269,934,997)	882,178,912	221,075,416	(519,703,928)	345,692,457

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The Bank monitors interest rates for its financial instruments. The table below summarizes interest rates based on reports reviewed by key management personnel:

31 December 2025	USD	AZN	EUR	Other currency
Financial assets				
Cash and cash equivalents	3.52	6.70	1.69	3.63
Amounts due from credit institutions	6.46	-	2.85	-
Loan to customers	4.46	9.72	5.50	-
Investment securities	6.12	8.92	6.11	-
Financial liabilities				
Amounts due to banks	2.70	6.99	0.86	-
Customer accounts	4.34	7.52	2.64	-
Term borrowings	-	2.87	-	-
Lease liability	-	9.10	-	-
Debt securities in issue	7.25	-	-	-
31 December 2024				
	USD	AZN	EUR	Other currency
Financial assets				
Cash and cash equivalents	4.21	-	2.73	4.35
Amounts due from credit institutions	4.65	-	4.59	-
Loans to customers	4.45	9.04	5.01	-
Investment securities	5.53	6.76	5.20	-
Financial liabilities				
Amounts due to banks	3.26	7.00	2.20	-
Customer accounts	2.72	5.43	0.33	-
Term borrowings	-	2.71	-	-
Lease liability	-	8.70	-	-

Currency risk

The Bank is exposed to effects of fluctuation in the prevailing local/foreign currency exchange rates on its financial position. Currency risk is the risk that movements in foreign exchange rates will affect the Bank's income or the value of its portfolios of financial instruments.

The main element in the Bank's risk policy regarding foreign currency risk is that there is no conscious effort to take a trading position in any currency. Limited open positions occur as a natural consequence of business operations only. The Bank uses every effort to match its assets and liabilities by currency.

Exposure to foreign exchange risk faced by the Bank is also limited by the Central Bank of the Republic of Azerbaijan statutory requirements.

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The foreign exchange exposures are managed by the Risk Management Department, who issue daily reports, reviewed and controlled by the Treasury Department. The table below summarizes the Bank’s exposure to foreign currency exchange rate risk at the end of the reporting period:

At 31 December 2025	AZN	USD	EUR	Other currencies	Total
Financial assets					
Cash and cash equivalents	119,689,682	461,221,218	135,093,078	60,204,851	776,208,829
Amounts due from credit institutions	36,337,848	108,265,386	15,947,495	-	160,550,729
Loans to customers	1,441,284,068	354,544,803	55,203,569	-	1,851,032,440
Investment securities	164,266,663	46,494,386	10,426,547	-	221,187,596
Other financial assets	6,434,028	122,476	3,176	24,833	6,584,513
Total financial assets	1,768,012,289	970,648,269	216,673,865	60,229,684	3,015,564,107
Financial liabilities					
Amounts due to banks	4,602,248	132,623,013	80,310,230	770,953	218,306,444
Customer accounts	1,066,951,931	825,149,379	144,359,960	64,463,142	2,100,924,412
Term borrowings	268,558,880	-	-	-	268,558,880
Lease liability	8,455,509	-	-	-	8,455,509
Debt securities in issue	12,028,167	-	-	-	12,028,167
Other financial liabilities	16,794,864	576,833	129,180	24,807	17,525,684
Total financial liabilities	1,377,391,599	958,349,225	224,799,370	65,258,902	2,625,799,096
Net currency position	390,620,690	12,299,044	(8,125,505)	(5,029,218)	389,765,011
At 31 December 2024	AZN	USD	EUR	Other currencies	Total
Financial assets					
Cash and cash equivalents	29,124,263	267,635,045	81,750,390	82,733,324	461,243,022
Amounts due from credit institutions	60,322,434	192,451,832	17,837,317	-	270,611,583
Loan and advances to customers	1,329,289,511	463,522,942	70,053,161	-	1,862,865,614
Investment securities	163,938,749	116,829,761	9,149,810	-	289,918,320
Other financial assets	5,854,743	2,041,352	12,916	-	7,909,011
Total financial assets	1,588,529,700	1,042,480,932	178,803,594	82,733,324	2,892,547,550
Financial liabilities					
Amounts due to banks	109,070,506	164,144,210	35,487,901	40,103	308,742,720
Customer accounts	828,150,687	913,273,316	147,224,371	82,314,836	1,970,963,210
Term borrowings	252,667,329	-	-	-	252,667,329
Lease liability	7,705,097	-	-	-	7,705,097
Other financial liabilities	6,467,577	275,495	33,665	-	6,776,737
Total financial liabilities	1,204,061,196	1,077,693,021	182,745,937	82,354,939	2,546,855,093
Net currency position	384,468,504	(35,212,089)	(3,942,343)	378,385	345,692,457

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Currency risk sensitivity

The following table details the Bank’s sensitivity to a 20% increase and decrease in the USD and Euro against the AZN. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management’s assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 20% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Bank where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	31 December 2025	31 December, 2024
US Dollars strengthening by 20% (2024: 20%)	1,967,847	(5,633,934)
US Dollars weakening by 20% (2024: 20%)	(1,967,847)	5,633,934
Euro strengthening by 20% (2024: 20%)	(1,300,081)	(394,234)
Euro weakening by 20% (2024: 20%)	1,300,081	394,234
Other currency strengthening by 20% (2024: 20%)	(804,675)	37,839
Other currency weakening by 20% (2024: 20%)	804,675	(37,839)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank’s assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank’s financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the separate statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank’s view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

35. Events after reporting period

There have been no subsequent events after 31 December 2025 that are expected to have a material effect on the Bank’s separate financial statements.