

**JOINT STOCK COMPANY
HALYK BANK GEORGIA**

Financial Statements and Management Report

For the Year Ended December 31, 2025

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JOINT STOCK COMPANY HALYK BANK GEORGIA

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS AND MANAGEMENT REPORT

For the year ended 31 December 2025

Management is responsible for the preparation of the financial statements that present fairly the financial position of Joint Stock Company Halyk Bank Georgia (the "Bank") as at December 31, 2025, the related statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, in compliance with IFRS Accounting Standards. Management is also responsible for the preparation of management report in accordance with the Law of Georgia on Accounting, Reporting and Auditing.

In preparing the financial statements and the management report, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS Accounting Standards are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance;
- Making an assessment of the Bank's ability to continue as a going concern;
- Disclosing the information in the management report as required by the Law of Georgia on Accounting, Reporting and Auditing; and
- Preparation of the management report in a manner consistent with the financial statements.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS Accounting Standards;
- Maintaining statutory accounting records in compliance with legislation of Georgia;
- Taking such steps that are reasonably available to them to safeguard the assets of the Bank; and
- Preventing and detecting fraud and other irregularities.

The financial statements and management report for the year ended December 31, 2025 were authorised for issue on March 2, 2026 by the Management Board of the Bank.

On behalf of the Management Board:

_____ *Shota Chkoidze* Deputy General Director
(Authorized representative of the CEO)

_____ *Ekaterina Rusitashvili* Chief Accountant

March 2, 2026
Tbilisi, Georgia

JOINT STOCK COMPANY HALYK BANK GEORGIA

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For the year ended 31 December 2025

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On behalf of the Management Board:



Shota Chkoidze

Deputy General Director
(Authorized representative of the CEO)



Ekaterina Rusitashvili

Chief Accountant

March 2, 2026
Tbilisi, Georgia



MANAGEMENT REPORT

For the year ended 31 December 2025

Overview

Joint Stock Company Halyk Bank Georgia (the “Bank”) is a wholly owned subsidiary of JSC Halyk Bank Kazakhstan, which has been operating on the Georgian market since 2008.

The Bank operates nine representative offices (branches/service point) as well as ATM’s and POS’s. Three of the nine branches are located in the regions (Batumi, Kutaisi and Poti), while the remaining six operate in Tbilisi. In addition, the Bank provides customers, both individuals and legal entities, with digital channels (internet bank and mobile bank) for accessing banking services.

The Bank continues to operate successfully across all key market segments – retail, small and medium enterprises, and corporate banking. The Bank offers a wide range of services, including various credit products, payroll projects, current and time deposit accounts, card products, remote banking services and documentary operations.

The Bank has made significant investments in the development of information technology and payment systems and continues to enhance its innovative banking products. The Bank has established international correspondent banking relationships enabling global payment transactions. The Bank participates in the SWIFT network and the Real Time Gross Settlement (the RTGS) system operated by the National Bank of Georgia (the “NBG”).

The Bank continuously strives to enhance the quality of its financial services and to introduce new, innovative products for its customers. In particular, Bank will focus on developing and improving existing retail products and strengthening their distribution channels. Quality improvement initiatives also include expanding the range of banking products, further developing the branch network, and enhancing remote service channels.

The success implementation of the Bank’s strategy requires alignment with its internal governance framework. The Bank maintains a robust system of risk management and internal controls, ensuring effective oversight and compliance with regulatory requirements.

Share Capital of the Bank

On December 31, 2025 and 2024, the bank's share capital consisted of 76,000 fully paid-up ordinary shares with a nominal value of GEL 1,000 each and 37,500 fully paid-up preference shares with a nominal value of GEL 1,600 each.

No shares were held in treasury. The rights and obligations attaching to the Bank’s ordinary and preference shares are set out in the Charter of the Bank. There are no voting restrictions on the issued ordinary shares and each ordinary share carries one vote.

As for preferred shares at general meetings of shareholders, holders of preferred shares are not entitled to vote.

Details of the movements in share capital during the year are provided in *Note 19* to the financial statements.

Financial performance review

The Bank, driven by a development-focused approach, primarily serves the SME and corporate sectors, fostering long-term partnerships and delivering high-quality financial products. At the same time it continues to strengthen its position in the retail segment by enhancing financial services and introducing innovating solutions.

In 2025, the Bank recorded strong year-on-year growth, with SME loan portfolio increasing by 21%, corporate portfolio 51% and retail portfolio by 21%. The Bank’s strategic priority remains focused on the SME segment, while gradually expanding its retail market share.

As of December 31, 2025, the Bank ranked 9th in total assets within the Georgian banking sector, holding a 1.03% market share, according to the NBG’s consolidated report on commercial banks.

In November 2025, Fitch Ratings affirmed JSC Halyk Bank Georgia’s (HBG) Long-Term Issuer Default Ratings (IDRs) at ‘BB+’, while Outlook revised to ‘Stable’ from ‘Negative’ due to similar improvement of Georgia’ rating outlook, reflecting stable macroeconomic conditions in Georgia and the Bank’s strengthened performance indicators.

ROE (return on equity, calculated by dividing net income to average monthly equity) – a basic measure of profitability – stood at 8.49% as of December 31, 2025, compared to 8.37% as of December 31, 2024.

MANAGEMENT REPORT (continued)

Financial performance review (continued)

Other key performance indicators are as follows:

- Loan Loss Rate (LLR) (Expected Credit Loss divided by Gross amount of Loans to Customers) - 2025: 1.71%; 2024: 2.25%;
- Cost to income Ratio (Operating expenses divided by the sum of interest income and other income less provisions and recoveries): - 2025 51.22%; 2024: 52.86%;
- Personnel outflow - 2025: 13.97%; 2024: 15.20%.

The Bank's LLR remains broadly aligned with the Georgian banking sector average. Non-performing loans (overdue by more than 90 days) have slightly decreased from 4.74% to 4.55%.

Among other indicators, the number of depositors of the Bank increased to 33,344 in 2025 (2024: 29,238), representing 14% growth.

The number of employees reached 328 (2024: 322).

The Bank fully complied with the prudential requirements of the National Bank of Georgia as at December 31, 2025. In particular, as of December 31, 2025:

- CET 1 amounted to GEL 204,984 thousand versus the required GEL 181,423 thousand;
- Tier 1 capital amounted to GEL 264,984 thousand versus the required GEL 216,776 thousand;
- Total regulatory capital amounted to GEL 292,004 thousand versus the required GEL 263,589 thousand.

Other key figures are available in the notes to the financial statements.

Net income amounted to GEL 22,228 remaining stable compared to the previous year, with a slight growth of 8%.

Total assets increased by 21% year-over-year, reaching GEL 1,108 million as of 31 December 2025. The loan portfolio grew by 30% in 2025 compared to the end of 2024, driven by growth in both the Corporate and Retail portfolios.

As of the end of 2025, the total volume of customer deposits grew by 26% compared to the end of 2024, driven by an increase in the deposit portfolios of both legal entities and individuals.

Corporate governance and risk management

The Bank conducts its risk management activities within the framework of its unified risk management system. The involvement of all governance levels in risk management, clear segregation of authorities and effective communications between different entities facilitate clarity regarding the Bank's strategic and risk objectives, adherence to the established risk appetite and sound risk management.

The Bank's governance structure ensures adequate oversight and accountability, as well as clear segregation of duties. The Audit Committee has overall responsibility to set the tone at the top of the Board of Directors (the "Board") and monitor compliance with the established objectives, while the Board governs and directs the Bank's daily activities.

MANAGEMENT REPORT (continued)

Corporate governance and risk management (continued)

The principal risk management bodies of the Bank are: Supervisory Board, the Board of Directors, Risk Committee, Audit Committee, Financial Risk and Portfolio Analysis department, Operations risk department, Business and Retail credit risk management departments, Asset and Liability Management Committee (the “ALMC”), Internal Audit Department, Treasury Department and Credit Committees:

- The Board of Directors has overall responsibility for the Bank’s asset, liability and risk management activities, policies and procedures. The Board of Directors establishes the Bank’s core values, sets and oversees the execution of the Bank’s strategy within a framework of strong and effective risk management and internal controls. In order to effectively implement the risk management system, the Board of Directors delegates individual risk management functions to each of the various decision-making and execution bodies within the Bank;
- During the reporting period, the composition of the Board of Directors was revised as part of an internal reorganisation. The number of Board members was reduced from five to four. Following the reorganisation, one of the Board members was appointed as Executive Director. In addition, a new Board member was appointed as IT Director. All members of the Board of Directors are appointed by decision of the Supervisory Board. The roles and responsibilities of each Board member are clearly defined within the Bank’s governance framework;
- The risk committee considers risk strategies, risks management policies and monitors Bank’s compliance with them. It provides recommendations to the Audit Committee to bring all risks in accordance with the risk appetites;
- The Audit Committee oversees and challenges in relation to its internal control and risk management systems in relation to the financial reporting process. It is responsible for implementing key accounting policies and facilitating internal and external auditor activities.

The Assets and Liabilities Management Committee (the “ALMC”) is responsible for overseeing the Bank’s financial risk management process and reviewing management information related to asset and liability management.

The primary objectives of the ALMC include ensuring adequate liquidity, monitoring the Bank's the interest rate spread between interest income and interest expense and overseeing investments exposures. Investments are also major considerations.

The ALMC meets at least once a month to review relevant asset and liability management matters. As part of its oversight function, the Committee considers liquidity, interest rate positioning, and other financial risk factors, and, where necessary, approves adjustments to policies, interest rates, limits, and other related parameters.

- There are four departments operating in different risk management areas. The Financial Risk and Portfolio Analysis department guides the financial risk management and portfolio analysis activities and monitors the major risk trends to ensure that the risk profile complies with the established risk appetites in the areas of financial risks and portfolio quality. A separate operation risk management department was established to manage operational risk issues. Besides, the Credit risk management departments for Business (Corporate and SMEs) and Retail segments are responsible for controlling credit activities and preparing conclusions on credit projects;
- The Internal Audit Department is responsible for the regular audit of the Bank’s risk management, internal control and corporate governance processes, with the aim of reducing the levels of operational and other risks, auditing the Bank’s internal control systems and detecting infringements or errors on the part of the Bank’s departments and divisions. It examines both, the adequacy and the Bank’s compliance with those procedures. The Bank’s Internal Audit Department discusses the results of all assessments with management and reports its findings and recommendations to the Bank’s Audit Committee. The Bank’s Internal Audit Department is independent of the Bank’s management board. The Head of the Bank’s Internal Audit Department is appointed by the Bank’s Audit Committee Board and reports directly to the Bank’s Audit Committee;
- Treasury department is responsible for managing the Bank’s assets and liabilities and its overall financial structure and is also primarily responsible for managing funding and liquidity risks of the Bank;
- The Bank has various credit committees (together, the “Credit Committees”), each one supervising and managing the Bank’s credit risks in respect of loans for retail, Small/Medium enterprise (the “SME”) and corporate loans. These committees are: Large Credit Committee, Small/Medium Credit Committee and three levels of Retail Credit Committees. Each committee in Corporate and SME segments consists of at least one director and head of credit risks department or a director – supervisor of risks. Membership of credit committees in retail segment differs by the level of committee. Above permitted statements are approved by the Board of Directors, the Supervisory Board, the Audit Committee and / or the relevant Committee of the Parent bank.

MANAGEMENT REPORT (continued)

Corporate governance and risk management (continued)

Formal policies and procedures have been developed at the Bank level, with the help of the senior management, which explains the way in which risks need to be systematically identified, assessed, quantified, managed, and monitored.

The main risks inherent in the Bank's operations are credit risk, liquidity risk, market risk (including currency risk and interest rate risk) and operational risk. The following is a description of the Bank's risk management policies and procedures in respect to those risks.

Credit Risk

Managing credit risk effectively is a key priority for the Bank, ensuring a stable and well-managed loan portfolio. To achieve this, the Bank has developed a structured risk management framework that aligns its organizational setup and business processes with the principles outlined in its Credit Risk Management Policy and internal guidelines. All credit products adhere to these standards, reinforcing a consistent approach to risk assessment.

The Bank's credit risk function is divided into two specialized departments: the Retail Credit Risk Department, which oversees consumer loans, mortgages, and credit cards, and the Business Credit Risk Department, responsible for SME and corporate lending. While both departments focus on evaluating customers and measuring risk, they do so in different ways:

- The Business Credit Risk Department conducts individual assessments, carefully reviewing each client's financial position and risk profile. It also monitors the loan portfolio and ensures compliance with prudential requirements;
- The Retail Credit Risk Department applies a standardized credit risk assessment framework. Depending on the product type and risk profile, credit decisions are made either through scoring models and automated decision-making processes or through individual assessment and underwriting performed by risk managers.

Beyond individual credit assessments, both departments contribute to shaping the Bank's overall credit risk strategy. They are responsible for setting the Bank's risk policy, ensuring compliance with both regulatory and internal standards, and continuously monitoring the quality of the loan portfolio. Additionally, they oversee key prudential ratios to ensure that lending practices remain within acceptable risk levels.

To maintain strong credit risk oversight, the Bank follows these key principles:

- The loan portfolio is segmented to ensure similar risk characteristics within each group;
- Lending activities are structured across corporate, SME, and retail banking, with segmentation based on credit limits, customer size, and income sources. Specialized teams ensure that risk assessment methods align with customer profiles. In corporate banking, sales and risk analysis functions are kept separate for greater objectivity;
- Credit limits are approved strictly based on a borrower's financial standing;
- All loan applications are reviewed by the Credit Risk Divisions, which provides recommendations to the Credit Committee to support sound lending decisions.

Through these measures, the Bank continues to strengthen its risk management approach, balancing careful lending practices with sustainable growth.

Financial risks

Financial risk management policy reflects the risk profile, scale of operations and development plans of the Bank. Financial Risk and Portfolio Analysis department is responsible to manage the financial (currency, interest rate, liquidity, counterparty, etc.) risks. The main objectives of financial risk management are to minimize the losses that may arise in various market conditions, also to ensure the existence of sufficient funds to keep liquidity level at the safe layer. One of the main risk management tools is the limits set by the financial counterparties (financial institutes) countries, on Expected Shortfall (ES) by foreign currencies, on Stop Loss, on liquidity Gaps and repricing Interest rate gaps, which determines the size of risk acceptable to the Bank. Reports regarding the utilization of limits are submitted to the Assets and Liabilities Committee monthly (ALMC). In case of their violation, risk reduction activities are taking place. Besides, The ALMC set financial risks limits at least once a year.

MANAGEMENT REPORT (continued)

Financial risks (continued)

The Treasury is the leading department for managing the liquidity risks in short-term and the Financial Risk and Portfolio Analysis Department is performing permanent monitoring of limits and regulatory requirement and managing the medium and long-term liquidity risks.

Market risk management is regulated by the relevant policies of the Bank where special focus is on currency and interest rate risks. Market risk management policies are coherent with the policy and requirements of the Parent and regulatory body.

The Treasury is the key department for managing the early signs of currency risks, and the Financial Risk and Portfolio Analysis Department is performing permanent monitoring of risks and controls utilization of limits. The report of the Asset and Liability Management Committee is submitted on monthly basis using currency positions and limits. In case of their violation, the Committee reviews and takes into account various risk reduction approaches.

Financial Risk and Portfolio Analysis Department uses sensitivity gap analysis to assess the interest rate risk. For interest gap analysis, a limit is set in relation to the planned net interest income. The information of utilization the limit is submitted to the ALMC on a monthly basis.

Operational risk

Operational risk management (ORM) is an integral part of the day-to-day operations of the Bank. Financial Risk and Portfolio Analysis Department regularly monitors operational risks in order to avoid them, or to perform activities for hedging or reducing the risk level in accordance with their recommendations. Following to the mentioned steps regular assessment and analysis of risks are performed for the products and policies, which drives possible updates and adjustments within existing recommendations or even establishing new recommendations and policies.

To manage operational risks, annual limits, acceptable for the Bank, are set once a year, in accordance with the structural units for net losses. In addition, each year, the staff rights matrices are prepared for the departments, and the software rights matrices are assessed and approved by the Information Security Committee. Besides, the following tools are used to determine the effectiveness of risk control and potential problems: operating loss databases, risk assessment of new products / processes (ORAP), Risk Control Self-Assessment (RCSA), Business Continuity Plan Testing, etc.

Principal risks and uncertainties

Risk management is a critical pillar of the Bank's strategy. To perform it effectively, it is essential to identify emerging risks and uncertainties. The principal risks that could adversely impact on the

Bank's performance, financial condition and prospects are presented below.

1. The Bank is exposed to regulatory risk

The Bank operates in a highly regulated environment and is exposed to regulatory risk. Applicable regulations require compliance with capital adequacy and other prudential ratios.

The National Bank of Georgia (NBG), has implemented a capital adequacy framework, that allocates capital requirements between Pillar 1 and Pillar 2 buffers. In addition, the NBG has the authority to increase the prudential requirements across the banking sector as well as for individual institutions. Changes in regulatory requirements, including increases in capital adequacy requirements, may affect the Bank's financial performance and capital management.

Risk mitigation

Financial department calculates the regulatory ratios. The compliance with capital adequacy ratios set by the NBG is regularly monitored by the risk management bodies. In case of arising the risk of violation ratios, the risk reduction activities are taking place. Besides, the Bank has also developed a recovery plan according to NBG requirements, that includes the developing of stress scenarios and estimating their impact on capital adequacy. According to recovery plan the detailed measures to overcome the capital deficiency is elaborated.

The Bank's capitalisation as of December 31, 2025 stood at 18.32%, 23.69% and 26.10% against the regulatory requirement of 16.22%, 19.38% and 23.56% for CET1, Tier 1 and Total regulatory capital, respectively. The ratios are above the respective regulatory requirements.

MANAGEMENT REPORT (continued)

Principal risks and uncertainties (continued)**1. The Bank is exposed to regulatory risk (continued)***Risk mitigation (continued)*

The Bank regularly publishes the information provided within Pillar 3 disclosure report, prepared in accordance with requirements of decree N92/04 of the governance of the NBG on “Disclosure requirements for commercial banks within Pillar 3”.

2. The Bank is exposed to concentration risk and credit risk

Despite positive trends, the Bank still has large individual exposures to single-name borrowers whose potential default would entail increased credit losses and high impairment charges. The exposure to the ten largest borrowers stands at 19.0% of total loan portfolio as at December 31, 2025 (December 31, 2024: 18.2%). It is also subject to cyclical nature of certain economic sectors. This exposes the Bank to the increased cost of credit risk and impairment charges, if a single large borrower defaults or a material concentration of smaller borrowers' default. The exposure to the 20 largest borrowers stands at 25.3% of the total loan portfolio as at December 31, 2025 (December 31, 2024: 24.5%).

Risk mitigation

The Credit Committees continuously perform the credit quality reviews in order to provide early identification of possible changes in the creditworthiness of the Bank's customers, potential losses and corrective actions needed to reduce the credit risk.

The Bank also manages credit risks by setting industry-specific limits, determining the risk position of a borrower / group of borrowers, permanent monitoring of delinquent loans and formation of coherent expected credit losses to strengthen bank to face potential losses. The Bank also has a credit rating system for business loans, which reflects the level of credit risk of clients.

3. Liquidity risk is inherent in the Bank's operations

Liquidity risk is inherent in banking operations and can be heightened by numerous factors. These include an overreliance on, or an inability to access, a particular source of funding.

Risk mitigation

To assess liquidity risk, the Financial Risk and Portfolio Analysis Department measures and analyses the level of use of limits set by the internal policy for short-term, medium-term, and long-term gaps, in case of their violation, it informs the -ALMC, which, makes a decision to ensure sufficient liquidity. Liquidity gap limits are determined by time periods in relation to the cumulative gap of liquidity to total assets. Besides, other liquidity indicators (LCR, NSFR, early warning, liquid assets to liabilities, loan to assets) are introduced and monitored. The Bank has developed a contingency plan to manage a liquidity crisis situation, which provides an action plan for various crises. There is also a recovery plan in place, which was elaborated according to NBG regulations, that includes liquidity stress scenario and recovery measures for situation of liquidity stress. Bank has elaborated ILAAP (Internal liquidity risk adequacy assessment) report, that describes the whole process of liquidity risk management in the Bank.

Throughout 2025, the Bank was in compliance with the risk appetite limits, including for liquidity. As of December 31, 2025, the liquidity coverage ratio stood at 98.4%(GEL)/139.2% (FXD)/124.2% (total) with the corresponding regulatory requirements 75% (GEL)/100% (FXD)/100% (Total), and NSFR stood at 125.4% with regulatory requirement 100%.

Capital risk management

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The management and shareholder have the intention to further develop the Bank and the Bank's management believes that the going concern assumption is appropriate for the Bank due to its sufficient capital adequacy and based on historical experience that short-term obligations will be refinanced in the normal course of business.

MANAGEMENT REPORT (continued)

Capital risk management (continued)

The Bank maintains a strong position supported by solid capital, funding, and liquidity buffers, and it is committed to preserving this strength going forward.

The Bank's capital adequacy is assessed based on the ratios established by the NBG for supervisory purposes. Compliance with the NBG's capital adequacy requirements is monitored on a monthly basis through the Bank's standalone reports prepared in accordance with NBG accounting rules

According to the NBG regulations, commercial banks have to:

a) Hold the minimum level of Regulatory Capital:

- 50,000 thousand GEL as at December 31, 2024
- 50,000 thousand GEL as at December 31, 2025

b) Maintain ratios of Common Equity Tier 1 Capital, Tier 1 Capital and Regulatory Capital to the risk-weighted assets at or above the prescribed minimum of levels throughout the reporting period.

The Bank had to maintain minimum Capital Requirements in accordance with the Regulation on capital Adequacy Requirements for Commercial Banks, compatible with framework established by Basel committee of banking supervision.

Pillar 1 minimum requirements are as follows:

- CET 1 – 4.5%
- Tier 1 Capital – 6%
- Regulatory Capital adequacy ratio - 8%

1. Pillar 1 buffers include:

- The Capital Conservation (“CC”) buffer;
- The Systemic Risk (“SR”) buffer applied to systematically important banks;
- The Countercyclical Capital (“CCC”) buffer.

Adjustments to the Pillar 1 buffers are at NBG's discretion.

2. Pillar 2 buffers include:

- The Currency Induced Credit Risk (“CICR”) buffer that is effective from December 31, 2017 for un-hedged FX loans denominated in foreign currencies;
- The Concentration Risk (“CR”) buffer that will be introduced for sectoral and single borrower exposure;
- The Net Stress (“NS”) buffer that will be introduced based on stress testing results provided by the Bank;
- Net General Risk-assessment Program (“GRAPE”) buffer defined by the NBG and applied based on the bank's specific risks.
- Credit Risk Adjustment (“CRA”) buffer which was introduced from 2023 within regulatory transition to IFRS reporting standard. The CRA buffer was implemented as a Pillar 2 requirement and was fully set on CET 1 capital.

MANAGEMENT REPORT (continued)**Capital risk management (continued)**

The summary of the Capital Adequacy ratio requirements set under the Capital Adequacy Framework effective as at December 31, 2025 and 2024 are as follows:

Capital to the Risk-Weighted Assets	Pillar 1					Pillar 2			31 December 2025	
	Pillar 1 buffers					Pillar 2 buffers			Total minimum requirements	
	CC	SR	CCC	CICR	CR	NS	GRAPE	CRA		
Common Equity Tier 1 Capital ratio	4.50%	2.50%	0%	0.50%	2.40%	0.70%	0%	1.79%	3.82%	16.22%
Tier 1 Capital ratio	6.00%	2.50%	0%	0.50%	3.21%	0.94%	0%	2.40%	3.82%	19.38%
Total Regulatory Capital ratio	8.00%	2.50%	0%	0.50%	4.28%	1.25%	0%	3.20%	3.82%	23.56%

Capital to the Risk-Weighted Assets	Pillar 1					Pillar 2			31 December 2024	
	Pillar 1 buffers					Pillar 2 buffers			Total minimum requirements	
	CC	SR	CCC	CICR	CR	NS	GRAPE	GRAP E		
Common Equity Tier 1 Capital ratio	4.50%	2.50%	0%	0.25%	2.32%	0.68%	0%	1.90%	3.71%	15.87%
Tier 1 Capital ratio	6.00%	2.50%	0%	0.25%	3.10%	0.91%	0%	2.55%	3.71%	19.03%
Total Regulatory Capital ratio	8.00%	2.50%	0%	0.25%	4.14%	1.22%	0%	3.40%	3.71%	23.22%

As of December 31, 2025, and 2024, the Capital Adequacy Ratios, from the Bank's reports following the NBG accounting rules and the Capital Adequacy Framework, stand as follows:

	December 31, 2025	December 31, 2024
Share capital	76,000	76,000
Revaluation reserve	2,009	2,038
Retained earnings for capital adequacy	135,291	117,494
Deductions from Common Equity Tier 1 Capital	(8,315)	(7,916)
Common Equity Tier 1 Capital	204,985	187,616
Additional Tier 1 Capital	60,000	60,000
Tier 1 Capital	264,985	247,616
Subordinated debt	27,021	16,885
General loan loss provisions (up to 1.25 % of risk-weighted assets)	-	-
Total regulatory capital	292,006	264,501
Risk weighted assets	1,118,696	938,717
Common Equity Tier 1 Capital Adequacy Ratio	18.32%	19.99%
Tier 1 Capital Adequacy Ratio	23.69%	26.38%
Total regulatory capital adequacy Ratio	26.10%	28.18%

As at December 31, 2025 in the computation of total regulatory capital for capital adequacy purposes, paid preferred shares are included as additional Tier 1.

Subordinated debt is only eligible for payment in a liquidation scenario once the obligations of higher-priority creditors have been satisfied. This type of debt is categorized in the Bank's Tier 2 capital, adjusted for the relevant amortized amount.

As at December 31, 2025 and 2024, the Bank had complied in full with all its externally imposed capital requirements.

MANAGEMENT REPORT (continued)

Human resource management

The management of the Bank promotes high ethical standards, values, and respects human rights, encourages its employees to act with integrity and responsibility towards each other and customers, partners, and community. The Bank has implemented a set of internal policies, procedures and closely monitors their execution.

As of the end of 2025, the Bank's total headcount was 328, comprising eight executive senior managers, 36 middle managers and 278 other personnel.

Within our corporate culture, the Bank is committed to foster an inclusive and supportive workplace where all employees have equal opportunities to grow and succeed. Women represent 61% of the Bank's workforce, while men account for 39%. The Bank promotes diversity and gender equality across all levels of the organisation. A diverse workforce is considered an important factor in fostering creativity, collaboration, and innovation, contributing to the Bank's sustainable development and performance. The Bank supports employee engagement initiatives to promote effective collaboration within the organisation.

Code of Ethics and Code of Conduct of the Bank - regulates employee rights and responsibilities and set appropriate relationship norms and principles. The Bank's employees are expected to act honestly and fairly at all times and to comply with both the spirit and intent of all laws. All employees are responsible for ensuring that the working environment is free of any form of harassment, discrimination (including gender, age, physical disability or religious affiliations) or inappropriate behaviour.

Compliance with the Bank's Code of Ethics and Code of Conduct is monitored by the Human Resource Department. Periodic audits are also conducted by the Internal Audit Department in order to identify any breach or misconduct in relation to compliance with these policies.

The labour organisation system of the personnel is based on the labour legislation of Georgia, the Law on Commercial Banks Activities, and other regulatory acts of the National Bank of Georgia.

The main areas of Personnel Policy are as follows:

- Improvement of the organisational structure, human resource planning;
- Selection and placement of employees;
- Staff training and development;
- Management of the competence and motivation of workers, job compensation;
- Formation of corporate culture and social support of the employees.

Transparent and flexible incentive system operates in the form of monthly incentive bonuses in order to increase the efficiency of the staff in achieving common goals at the Bank. This bonus depends on the fulfilment of plans in terms of net profit. Performance-based bonuses for SME and retail front office employees were awarded monthly and back-office employees were awarded for three quarters, which was in accordance with the Bank's financial results.

The employees of the Bank were awarded with annual bonus based on bank financial performance for the year 2024. In addition, at the year-end employees were awarded with bonus in connection of "Independence day of Republic of Kazakhstan".

In accordance with the Bank's Internal Policy, employees are provided with the financial assistance during pregnancy, childbirth and childcare.

The Bank is committed to the continuous growth and development of employees, ensuring they have the knowledge and skills necessary to excel in their roles. The Bank provides a comprehensive range of training programs designed to enhance professional capabilities and support personal development. Training is offered through a variety of channels, including corporate programs, specialized courses, seminars, and distance learning, utilizing both internal expertise and external resources.

MANAGEMENT REPORT (continued)

Human resource management (continued)

Corporate training includes mandatory semi-annual sessions on Operational Risks and Information Security for all employees, as well as annual AML training for front office staff and key supporting functions. Branch employees receive targeted training in areas such as sales skills, service excellence (Service+), new products, and additional coaching for branch managers to ensure continuous improvement in customer service and management.

In addition to corporate training initiatives, the bank supports individual professional development by financing external certification programs and specialized courses. Employees are also encouraged to take advantage of distance learning opportunities through various educational platforms, promoting lifelong learning and skill enhancement. These efforts ensure that our workforce remains highly skilled, adaptable, and ready to meet the challenges of an evolving banking environment.

Corporate Social Responsibility (CSR)

In alignment with its core values, The Bank remains steadfast in its commitment to supporting initiatives that foster social well-being and sustainable national development. The Bank's CSR strategy is built on the conviction that business success is inseparable from the cultural and social progress of the community in which we operate.

1. Promoting Fencing and Athletic Excellence

In 2025, The Bank identified the support of this noble sport as one of its top priorities.

- Sponsorship of the World Fencing Championships: By proudly sponsoring the World Fencing Championships, the bank contributes to the promotion of the sport and reinforces Georgia's position as a premier host on the international athletic stage;
- Close Engagement with Athletes: Beyond financial support, we prioritize direct communication with athletes. The bank actively collaborates with fencers to better understand their needs, foster a healthy lifestyle, and inspire the younger generation.

2. Supporting Arts and Cultural Life

The Bank plays a role in the country's cultural enrichment. The Bank supports cultural initiatives, including local concerts and public events, as part of its corporate social responsibility activities. Through such initiatives, the Bank contributes to the promotion of Georgian and international artistic projects.

- Employees are considered a key component of the Bank's sustainable development. The Bank supports professional development initiatives and fully finances employee participation in selected international festivals and forums.

3. Social Solidarity and Inclusion

Alongside our commitment to sports and culture, the Bank continues to provide targeted support to socially vulnerable groups, specifically the elderly and individuals with disabilities. Through collaboration with various organizations, the Bank ensures contributions effectively reach those in greatest need, promoting social inclusion and care.

On behalf of the Management:

Shota Chkoidze

Deputy General Director
(Authorized representative of the CEO)

March 2, 2026
Tbilisi, Georgia

MANAGEMENT REPORT (continued)

Human resource management (continued)

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On behalf of the Management:


Shota Chkoidze



Deputy General Director
(Authorized representative of the CEO)

March 2, 2026
Tbilisi, Georgia

Independent auditor's report

To the Shareholder and Supervisory Board of JSC Halyk Bank Georgia

Report on the audit of the financial statements

Opinion

We have audited the financial statements of JSC Halyk Bank Georgia (hereinafter, the "Bank"), which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2025 and its financial performance and its cash flows for the year then ended in accordance with 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements of public interest entities in Georgia. 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.

Emphasis of matter

We draw attention to Note 29 to the financial statements, which describes a significant concentration of the Bank's transactions with related parties. Our opinion is not modified in respect of this matter.

Other matter

The financial statements of the Bank for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those financial statements on 4 March 2025.

Other information included in the Bank's 2025 Management Report

Other information consists of the information included in the Bank's 2025 Management Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.



Our opinion on the financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon in our report on the audit of the financial statements.

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

Responsibilities of management and the Audit Committee for the financial statements

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

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

The Audit Committee is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee 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.

Report in accordance with the requirements of Article 7, paragraph 10 of the Georgian Law on Accounting, Reporting and Auditing

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Management Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Management Report includes the information required by Article 7 of the Georgian Law on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.



Ana Kusrashvili (SARAS-A-169041)

On behalf of EY LLC (SARAS-F-855308)

Tbilisi, Georgia

2 March 2026

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

<i>(in thousands of Georgian Lari)</i>	Notes	December 31, 2025	December 31, 2024 Reclassified <i>(Note A)</i>
Assets:			
Cash and cash equivalents	7	55,358	38,579
Mandatory cash balance with the NBG	8	14,809	63,065
Due from financial institutions		866	865
Loans to customers	9	984,993	756,135
Investments in equity instruments measured at fair value through other comprehensive income		54	54
Investments in debt instruments measured at amortised cost	10	5,925	12,134
Property and equipment	11	19,225	16,539
Intangible assets		6,306	5,879
Current income tax asset		-	2,269
Other assets	12	20,787	21,132
Total assets		1,108,323	916,651
Liabilities:			
Due to financial institutions		3	4
Due to the Parent	13	494,925	381,294
Deposits by customers	14	296,263	234,833
Debt securities issued	15	-	5,050
Lease liability	16	3,686	2,184
Provisions	21	80	154
Current income tax liability		569	-
Deferred income tax liability	25	334	336
Subordinated debt	17	27,021	28,142
Other liabilities	18	12,142	9,122
Total liabilities		835,023	661,119
Equity:			
Share capital	19	136,000	136,000
Revaluation reserve	19	2,009	2,038
Retained earnings	19	135,291	117,494
Total equity		273,300	255,532
Total liabilities and equity		1,108,323	916,651

On behalf of the Management Board:

Shota Chkoidze Deputy General Director
(Authorized representative of the CEO)

Ekaterina Rusitashvili Chief Accountant

March 2, 2026
Tbilisi, Georgia

The notes on pages 5-59 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

<i>(in thousands of Georgian Lari)</i>	Notes	December 31, 2025	December 31, 2024 Reclassified (Note A)
Assets:			
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Shota Chkoidze

Deputy General Director
(Authorized representative of the CEO)



Ekaterina Rusitashvili

Chief Accountant

March 2, 2026
Tbilisi, Georgia

The notes on pages 5-59 form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**For the year ended 31 December 2025**

<i>(in thousands of Georgian Lari)</i>	Notes	2025	2024 Reclassified <i>(Note B)</i>
Interest income calculated using the effective interest rate method	20	91,685	75,734
Interest expense	20	(40,182)	(33,618)
Net interest income before impairment losses		51,503	42,116
Recovery/(Loss) of the allowance for expected credit losses on interest bearing assets	21	585	2,783
Net interest income		52,088	44,899
Fee and commission income	22	3,183	2,910
Fee and commission expense	22	(2,826)	(2,608)
Modification gain/(loss) on loans to customers		548	(965)
(Loss)/gain on financial assets at fair value through profit or loss		(474)	2,287
Net gain on foreign exchange operations	23	3,198	3,164
Allowance for credit losses on non-interest-bearing assets		(8)	(36)
Recovery/(loss) of provision for other assets/liabilities		74	200
Net non-interest income		3,695	4,952
Operating income		55,783	49,851
Other income		170	728
Operating expenses	24	(28,433)	(25,437)
Profit before income tax		27,520	25,142
Income tax expense	25	(5,292)	(4,641)
Profit for the year		22,228	20,501
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Gain on revaluation of property	11	-	276
Income tax related to revaluation of property		-	(55)
Other comprehensive income, net of income tax		-	221
Total comprehensive income		22,228	20,722

On behalf of the Management Board:

_____ *Shota Chkoidze* Deputy General Director
(Authorized representative of the CEO)

_____ *Ekaterina Rusitashvili* Chief Accountant

March 2, 2026
Tbilisi, Georgia

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2025

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Ekaterina Rusitashvili

Chief Accountant

March 2, 2026
Tbilisi, Georgia



The notes on pages 5-59 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

<i>(in thousands of Georgian Lari)</i>	Note	Share capital	Property revaluation reserve	Retained earnings	Total equity
January 1, 2024		136,000	1,841	97,969	235,810
Profit for the period		-	-	20,501	20,501
Other comprehensive income, net of income tax		-	221	-	221
Total comprehensive income for the period		-	221	20,504	20,721
Dividends paid on the preferred shares	19	-	-	(1,000)	(1,000)
Release of revaluation reserve due to Depreciation of previously revalued assets		-	(24)	24	-
December 31, 2024		136,000	2,038	117,494	255,532
Profit for the period		-	-	22,228	22,228
Total comprehensive income for the period		-	-	22,228	22,228
Dividends paid on the preferred shares	19	-	-	(4,460)	(4,460)
Release of revaluation reserve due to Depreciation of previously revalued assets		-	(29)	29	-
December 31, 2025		136,000	2,009	135,291	273,300

On behalf of the Management Board:

_____ *Shota Chkoidze* Deputy General Director
(Authorized representative of the CEO)

_____ *Ekaterina Rusitashvili* Chief Accountant

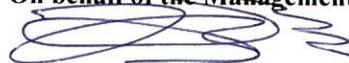
March 2, 2026
Tbilisi, Georgia

STATEMENT OF CHANGES IN EQUITY

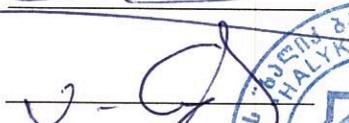
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On behalf of the Management Board:



Shota Chkoidze

Deputy General Director
(Authorized representative of the CEO)


Ekaterina Rusitashvili

Chief Accountant

March 2, 2026
Tbilisi, Georgia

The notes on pages 5-59 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

<i>(in thousands of Georgian Lari)</i>	Note	2025	2024 Reclassified (Note B)
Cash flows from operating activities			
Interest income received		91,162	75,070
Interest expense paid		(53,537)	(29,091)
Foreign exchange gain realized		3,088	4,417
Fee and commission income received		3,144	2,881
Fee and commission expense paid		(2,826)	(2,608)
Other income received		170	704
Operating expenses paid		(24,761)	(22,377)
Cash flows from operating activities before changes in operating assets and liabilities		16,440	28,996
(Increase)/decrease in operating assets:			
Mandatory cash balance with the NBG		47,893	963
Due from financial institutions		(44)	13,951
Loans to customers		(227,743)	(37,191)
Other assets		1,143	(5,386)
(Decrease)/increase in operating liabilities:			
Due to financial institutions		1,098	(12,331)
Deposits by customers		64,155	38,314
Other liabilities		737	7,517
Cash (outflow)/inflow from operations		(96,321)	34,833
Income taxes paid		(2,455)	(11,909)
Net cash (outflow)/inflow from operating activities		(98,776)	22,924
Cash flows from investing activities			
Purchase of property and equipment	11	(2,638)	(670)
Proceeds from disposal of property and equipment		3	-
Purchase of intangible assets		(1,125)	(1,138)
Proceeds from redemption of investments in debt instruments measured at amortised cost	10	5,963	5,000
Net cash inflow from investing activities		2,203	3,192
Cash flows from financing activities			
Issue of preferred shares	19	-	30,000
Dividends paid	19	(4,460)	(1,000)
Proceeds from loans from the parent	13	921,132	248,119
Repayment of loans from the parent	13	(782,208)	(311,742)
Proceeds from the deposits from parent	13	129,941	56,549
Repayment of deposits from parent	13	(143,417)	(42,515)
Repayment of debt securities	15	(5,022)	(484)
Repayment of lease liabilities	16	(1,248)	(1,022)
Net cash inflow/(outflow) from financing activities		114,718	(22,095)
Effect of exchange rate changes on cash and cash equivalents		(1,366)	616
Net increase in cash and cash equivalents		16,779	4,637
Cash and cash equivalents, beginning of the year	7	38,579	33,941
Cash and cash equivalents, end of the year	7	55,358	38,579

On behalf of the Management Board:

	<i>Shota Chkoidze</i>	Deputy General Director (Authorized representative of the CEO)
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March 2, 2026
Tbilisi, Georgia

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STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

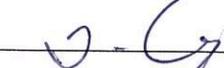
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Repayment of deposits from parent	13	(143,417)	(42,515)
Repayment of debt securities	15	(5,022)	(484)
Repayment of lease liabilities	16	(1,248)	(1,022)
Net cash inflow/(outflow) from financing activities		114,718	(22,095)
Effect of exchange rate changes on cash and cash equivalents		(1,366)	616
Net increase in cash and cash equivalents		16,779	4,637
Cash and cash equivalents, beginning of the year	7	38,579	33,941
Cash and cash equivalents, end of the year	7	55,358	38,579

On behalf of the Management Board:



Shota Chkoidze

Deputy General Director
(Authorized representative of the CEO)



Ekaterina Rushtashvili

Chief Accountant

March 2, 2026
Tbilisi, Georgia

The notes on pages 5-59 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 31 December 2025****1. ORGANISATION**

Halyk Bank Georgia (the “Bank”) is a joint stock company incorporated in Georgia on January 29, 2008. The Bank is regulated by the National Bank of Georgia (the “NBG”) and conducts its business under general banking license number 0110246. The Bank’s principal activities comprise commercial banking operations, trading in securities and foreign currencies, originating loans and issuing guarantees, and accepting deposits.

The registered office of the Bank is located on 74 Kostava Street, Tbilisi, Georgia. As at December 31, 2025 and 2024 the Bank had 9 branches/service points, operating in Georgia.

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

	December 31, 2025	December 31, 2024
First level shareholder:		
JSC Halyk Bank Kazakhstan (the “Parent”)	100%	100%
Total	100%	100%

The controlling shareholder of JSC Halyk Bank Kazakhstan is JSC Holding ALMEX (62%). The ultimate **beneficial owners** of JSC Halyk Bank Kazakhstan are Timur Kulibayev (31%) and Dinara Kulibayeva (31%).

These financial statements were authorised for issue by the Management Board on March 2, 2026. These financial statements have not yet been approved by the shareholder. The shareholders have the power and authority to amend the financial statements after the issuance.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with IFRS Accounting Standards.

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future. In making this assumption, the management considered the Bank’s financial position, current intentions, profitability of operations and access to financial resources.

These financial statements have been prepared on the historical cost basis, except for buildings (a class of property, plant and equipment) which are accounted for using the revaluation model and are carried at revalued amounts, and for certain financial instruments measured at fair value, including derivative financial instruments classified as FVTPL and financial assets classified as FVOCI, as described in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis of amounts expected to be recovered or settled within 12 months after the reporting date and after more than 12 months is presented in *Note 28*.

Amounts presented in these financial statements are given in the national currency of Georgia – Georgian Lari (“GEL”) and are rounded to the nearest thousand unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS (continued)**2. BASIS OF PREPARATION (continued)****Reclassification****Note A**

During the preparation of the financial statements for the year ended December 31, 2025, the Bank updated the presentation of due to financial institutions and separately presented due to the Parent amounts in the statement of financial position. Accordingly, the following reclassification has been made to the comparative information for the year ended December 31, 2024 to conform 2025 presentation.

Statement of Financial position for the year ended December 31, 2024	As previously reported	Reclassification effect	As reclassified
Due to the Parent	–	381,294	381,294
Due to financial institutions	381,298	(381,294)	4
Total liabilities	661,119	–	661,119

Senior debt GEL 381,294 thousand due to the Parent was reclassified from the due to financial institutions and presented separately.

Note B

During the preparation of the financial statements for the year ended December 31, 2025, the Bank updated the presentation of other interest income in the statement of profit or loss and other comprehensive income. Accordingly, the following reclassifications have been made to the comparative information for the year ended December 31, 2024 to conform 2025 presentation.

Statement of profit or loss and other comprehensive income for the year ended December 31, 2024	As previously reported	Reclassification effect	As reclassified
Interest income calculated using the effective rate method	72,284	3,450	75,734
Other interest income	4,041	(4,041)	–
Net interest income	45,490	(591)	44,899
Fee and commission income	2,319	591	2,910
Net non-interest income	4,361	591	4,952
Profit for the year	20,501	–	20,501

GEL 591 thousand represents income from guarantees, which was previously included in Other interest income and was reclassified to Fees and commission income. GEL 3,450 thousand represents penalty income from loans to customers, which was reclassified into interest income calculated using the effective interest rate method.

Statement of Cash Flows for the year ended December 31, 2024	As previously reported	Reclassification effect	As reclassified
Interest income received	75,649	(579)	75,070
Fee and commission income received	2,302	579	2,881
Cash flows from operating activities before changes in operating assets and liabilities	28,996	–	28,996
Net cash (outflow)/inflow from operating activities	(98,776)	–	22,924

GEL 579 thousand represents cash income from guarantees.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. OPERATING ENVIRONMENT

The Bank operates in Georgia, making it susceptible to changes in the economic and business landscape, as well as challenges in the Georgian financial market, which is characteristic of an emerging market. The legal, tax, and regulatory frameworks are evolving, subject to various interpretations and frequent changes, contributing to the difficulties faced by businesses in Georgia. The financial statements reflect the management's evaluation of how the Georgian business environment impacts the Bank's operations and financial position, though the future business environment may differ.

Georgia continues to experience steady economic growth, supported by strong performance in key sectors such as hotels and restaurants, transport, IT services and communications and financial sector. Despite ongoing geopolitical risks in the region, the country's economic fundamentals remain stable, with a positive outlook for the banking sector. The regulatory framework is sound, and the business environment continues to offer opportunities for growth and investment, ensuring a favorable operational landscape for the Bank.

Overall, despite some geopolitical risks of Georgia, the Bank operates in a stable macroeconomic environment, with reduced economic leverage allowing for healthy lending growth.

4. APPLICATION OF NEW AND AMENDED IFRS ACCOUNTING STANDARDS

The following standard/interpretation relevant to the Bank's activities that became effective for annual periods beginning on 1 January 2025 had no material impact on the Bank's financial position or results of operations:

- *Lack of exchangeability – Amendments to IAS 21.*

The amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of an entity's financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

Standards issued but not yet effective

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Bank to determine the impact on the financial statements. This would include standards and amendments that would already be effective based on the new standard or amendment, but the local endorsement is still in progress or has resulted in a later effective date.

The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to the Classification and Measurement of Financial Instruments—Amendments to IFRS 9 and IFRS 7

On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include:

- Clarifications of the requirements for recognition and derecognition of financial assets and liabilities;
- A clarification that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date;
- Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed;
- Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments;
- The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI).

The Amendments are effective for annual periods starting on or after 1 January 2026.

With respect to the amendments on the derecognition of financial liabilities that are settled through an electronic payment system, the Bank continues assessment of the amendments.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. APPLICATION OF NEW AND AMENDED IFRS ACCOUNTING STANDARDS (continued)**Standards issued but not yet effective (continued)*****IFRS 18 Presentation and Disclosure in Financial Statements (continued)***

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements*, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within

the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, that have specified main business activities (either providing finance to customers or investing in specific type of assets, or both).

The standard requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and it also includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the financial statements and the notes. In addition, narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows*, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

The impacts of expected changes of IFRS 18 is being assessed by the Bank.

5. THE MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policies are set out below:

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense is not offset in the statement of profit or loss and other comprehensive income unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Recognition of interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method by applying the effective interest rate.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for:

- Purchased or originated credit-impaired financial assets ("POCI"). For those financial assets, the Bank applies the credit-adjusted effective interest rate to the amortised cost of the financial asset. The credit-adjusted effective interest rate is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the purchased or originated credit-impaired financial asset;
- Financial assets that are not purchased or originated credit-impaired financial assets but subsequently have become credit-impaired financial assets. For those financial assets, the Bank applies the effective interest rate to the net amortised cost of the financial asset in subsequent reporting periods. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

When calculating the effective interest rate, the Bank estimates the expected cash flows by considering all the contractual terms of the financial instrument excluding expected credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. THE MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Recognition of fee and commission income**

Fee and commission income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Bank identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognises income in line with the timing of performance obligation satisfaction as agreed with the customer.

For each performance obligation identified, the Bank determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable. The consideration is subsequently allocated to the identified performance obligation.

Financial instrument origination fees are deferred, together with the related direct costs, and are recognised as part of the effective interest rate of the respective financial instrument.

Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognised in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognised in profit or loss on expiry. Loan servicing fees are recognised as revenue as the services are provided.

Plastic cards operations fee and commission income include interchange income from credit and debit card transactions and are recognized at a point in time upon settlement by the associated network.

Other card-related fees are recognized at a point in time upon completion of the transaction.

All other fee and commission income, which includes fees for various transactional banking activities, such as bank transfers and other transactional services, is recognized at a date when the related services are provided, i.e. at a point in time.

The Bank has generally concluded that it is the principal in its revenue arrangements because it typically controls the services before transferring them to the customer.

Financial instruments***Initial recognition of financial instruments***

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank accounts for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- In all other cases, the fair value is adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss is deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred amounts are recognised in profit or loss when there is a change in a factor (including time) that market participants would take into account when pricing the asset or liability. On this basis, the Bank has assessed that amortising the deferred amount on a straight-line basis is appropriate. Any outstanding amount is immediately recognised in profit or loss when the instrument is derecognised or when the input(s) becomes observable.

NOTES TO THE FINANCIAL STATEMENTS (continued)**5. THE MATERIAL ACCOUNTING POLICY INFORMATION (continued)****Financial instruments (continued)*****Initial recognition of financial instruments (continued)***

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, i.e., purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Loans and advances to customers are recognised when funds are transferred to the customers' accounts. The Bank recognises balances due to customers when funds are transferred to the Bank.

Financial assets***Classification and subsequent measurement***

On initial recognition, a financial asset is classified into one of the following measurement categories: amortised cost; fair value through other comprehensive income (FVOCI); or fair value through profit or loss (FVTPL).

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

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

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

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

The Bank's financial assets classified into the measurement categories are as following:

Financial assets	Business model	SPPI	Measurement category
Cash and cash equivalents	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost
Mandatory cash balance with the NBG	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost
Due from financial institutions	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost
Investments in debt instruments	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost
Investments in equity instruments	Other business model	Cash flows are not solely payments of principal and interest	FVOCI (without recycling)
Loans to customers	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost
Other receivables	Hold to collect contractual cash flows	Cash flows are solely payments of principal and interest	Amortised Cost

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. THE MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Financial assets (continued)***Classification and subsequent measurement (continued)*Business model assessment

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

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Assessment whether contractual cash flows are solely payments of principal and interest

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

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

- Contingent events that would change the amount or timing of cash flows;
- Terms that may adjust the contractual coupon rate, including variable rate features;
- Prepayment and extension features; and
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse features).

Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the National Bank of Georgia (the "NBG"), and highly liquid financial assets with original maturities of three months or less from the date of initial recognition that are subject to an insignificant risk of changes in fair value and are used by the Bank in managing short-term commitments.

Mandatory cash balance with the NBG

Mandatory cash balances with the NBG are carried at amortised cost and represent mandatory reserve deposits that are not available to finance the Bank's day-to-day operations. Accordingly, they are excluded from cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. THE MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Financial assets (continued)*****Due from financial institutions***

Amounts due from financial institutions represent placements with counterparty banks with original maturities of more than three months.

Loans to customers

Loans to customers are initially measured at fair value plus incremental transaction costs and subsequently at their amortised cost using the effective interest method.

Investments in debt instruments

Investments in debt instruments include investments in certificate of deposits issued by National Bank of Georgia. These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost using the effective interest method.

Investments in equity instruments

The Bank elected to present changes in the fair value of investment in equity instruments that are not held for trading in other comprehensive income. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognised in profit or loss.

Dividends on such instruments are recognised in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

Derivative financial instruments

Derivative financial instruments included in financial assets at fair value through profit or loss in the financial statements comprise foreign currency forward contracts.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. All derivatives are carried as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Impairment

The Bank recognises loss allowances for expected credit losses (ECL) on the financial assets that are not measured at FVTPL, together with loan commitments and financial guarantee contracts, in this section, all referred to as “financial instruments”.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime ECL), 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 losses. The 12 months’ ECL is the portion of lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both lifetime ECL and 12 months’ ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Bank’s policy for grouping financial assets measured on a collective basis, is provided in *Note 27*.

NOTES TO THE FINANCIAL STATEMENTS (continued)**5. THE MATERIAL ACCOUNTING POLICY INFORMATION (continued)****Financial assets (continued)*****Impairment (continued)***

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 12 months' ECL. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
Stage 2	When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the lifetime ECL. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
Stage 3	Loans considered credit-impaired (as outlined in <i>Note 27</i>). The Bank records an allowance for the lifetime ECL.
POCI	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 effective interest rate. The ECL allowance is only recognised or released to the extent that there is a subsequent change in the ECL.

The key elements of ECL assessment are Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"), which are further explained in *Note 28*. PD is applied to a forecast EAD and multiplied by the expected LGD and discounted by the effective interest rate.

In its ECL models, the Bank incorporates selected forward-looking macroeconomic inputs, such as GEL/USD exchange rate and real estate prices. Detailed information about these inputs and sensitivity analysis are provided in *Note 28*.

Modification and derecognition of financial assets

The Bank may renegotiate the contractual term of financial assets, when the borrowers are in financial difficulty, in order to maximise collection and minimise the risk of default. A loan's terms are modified in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to other terms.

Such modification of contractual terms results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors, such as SPPI results, change in currency or counterparty, the extent of change in interest rates, maturity, and covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Bank deems the arrangement is substantially different leading to derecognition.

Where a modification results in derecognition, the Bank recognises the new financial asset at fair value and recognises any resulting gain or loss in profit or loss. The new asset is generally classified in Stage 1 and subject to 12 months' ECL, unless it is considered credit-impaired at initial recognition. A modified loan is treated as originated credit-impaired where the fair value of the new asset is recognised at a significant discount to its revised contractual amount due to a continuing high risk of default. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. THE MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Financial assets (continued)*****Modification and derecognition of financial assets (continued)***

When the modification does not result in derecognition, the Bank assesses if the financial asset's credit risk has increased significantly since initial recognition.

For loans modified under the Bank's restructuring policy, the estimate of probability of default reflects the Bank's assessment of the borrower's ability to meet the revised contractual cash flows, taking into account historical experience of similar restructurings and behavioral indicators such as payment performance under the modified terms.

Forborne exposures generally remain subject to lifetime ECL until there is evidence of sustained improvement in credit risk. A return to 12 months' ECL is recognised only where the previous significant increase in credit risk has been reversed.

Write-off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the outstanding amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities are recognised in profit or loss as recovery of the allowance for expected credit losses.

Sales and purchases of foreign currencies and currency conversion

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

Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs when a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are the Bank's commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the expected credit losses determined in accordance with IFRS 9 and the amount initially recognised less, when appropriate, the cumulative income recognised in accordance with the principles of IFRS 15.

For other loan commitments the Bank recognises a loss allowance based on expected credit losses in accordance with IFRS 9. The Bank does not have loan commitments measured at FVTPL.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. THE MATERIAL ACCOUNTING POLICY INFORMATION (continued)**Financial liabilities**

Financial liabilities are initially recognised at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when it is extinguished or when its terms are substantially modified. A modification is considered substantial where the revised contractual cash flows differ significantly from those of the original liability. In such cases, the original liability is derecognised and a new liability is recognised at fair value, with any resulting gain or loss recognised in profit or loss.

Where a modification does not result in derecognition, the carrying amount of the liability is recalculated by discounting the modified cash flows at the original effective interest rate, and the resulting gain or loss is recognised in profit or loss.

Accounting for leases by Bank as a lessee

The Bank recognises a right-of-use asset and a corresponding lease liability at the commencement date of a lease. Lease liabilities are measured at the present value of lease payments discounted using the interest rate implicit in the lease or, where that rate cannot be readily determined, the Bank's incremental borrowing rate.

Right-of-use assets are presented within property and equipment and are measured at cost. They are depreciated on a straight-line basis over the shorter of the useful life of the underlying asset and the lease term.

The Bank applies the recognition exemptions for short-term leases and leases of low-value assets, recognising related payments as an expense on a straight-line basis over the lease term.

In determining the lease term, management considers all relevant facts and circumstances that create an economic incentive to exercise extension or termination options.

Fair value measurement

The Bank measures certain financial instruments, such as derivatives, at fair value at the end of each reporting period. Fair values of financial instruments measured at amortised cost are disclosed in *Note 26*.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs significant to the fair value measurement as a whole.

For assets and liabilities that are recognised in the 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.

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability. The Bank uses the following hierarchy for determining and disclosing the fair value:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Preferred shares

Preferred shares of the Bank are not redeemable. Dividend payments are at the discretion of the Bank. Annual dividends of 8% of the nominal value is payable on the preferred shares annually, subject to confirmation of the annual shareholders' meeting. Preferred shares are classified as a part of equity.

NOTES TO THE FINANCIAL STATEMENTS (continued)**5. THE MATERIAL ACCOUNTING POLICY INFORMATION (continued)****Reposessed assets**

In certain circumstances, the Bank repossesses assets through enforcement of collateral following the foreclosure of loans in default. Upon repossession, the asset is initially recognised based on the carrying value of the defaulted loan, including expenditure incurred in the process of collateral foreclosure and the related loan balance is derecognised to that extent. Repossessed assets are subsequently measured at the lower of carrying amount and fair value less costs to sell. The Bank applies its accounting policy for non-current assets held for sale or disposal groups to reposessed collateral where the relevant conditions for such classification are met at the end of the reporting period. Gains and losses on disposal of reposessed assets are recognised in other income in profit or loss.

Property and equipment

Buildings, are measured in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such premises is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such premises is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve for premises relating to a previous revaluation of that asset.

Other property and equipment, except for buildings, are measured at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Depreciation is recognised on a straight-line basis over the following estimated useful lives:

	Years
Buildings	50-100
Computers and communication equipment	3-10
Vehicles	3-10
Furniture and fixture	6-10
Other	6

Leasehold improvements are capitalized and depreciated over the lease term on a straight-line basis.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are measured at cost less accumulated amortization and accumulated impairment losses, if any. Amortization of intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives from 2 to 15 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. The Bank does not have any intangible assets with indefinite useful lives.

An intangible asset is derecognised 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 recognised in profit or loss when the asset is derecognised.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (continued)**5. THE MATERIAL ACCOUNTING POLICY INFORMATION (continued)****Taxation (continued)***Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences only to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity.

Foreign currency translation

The financial statements are presented in Georgian Lari, which is the Bank's functional and presentation currency. Monetary assets and liabilities are translated into each Bank's functional currency at the official exchange rates of the NBG at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and the translation of foreign currency transactions are recognised in profit or loss as foreign exchange translation gains less losses.

Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated into functional currency using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

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

	December 31, 2025	December 31, 2024
GEL/1 US Dollar	2.6951	2.8068
GEL/1 Euro	3.1737	2.9306

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Bank based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Bank.

NOTES TO THE FINANCIAL STATEMENTS (continued)**6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)****Loss allowances for expected credit losses**

The following are key estimations that the management have used in the process of applying the Bank's accounting policies and that have the most significant effect on the loss allowances for expected credit losses:

- **Expected credit losses** for individually assessed loans are measured as the present value of the difference between the contractual cash flows due to the Bank and the cash flows that the Bank expects to receive, incorporating multiple forward-looking economic scenarios and discounted at the asset's effective interest rate. The threshold of risk exposure for individual assessment is 0.5% of Tier 1 capital for defaulted borrowers' groups and 1% of Tier 1 capital for borrowers with SICR;
- **Establishing forward-looking scenarios:** When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

See *Note 28* for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward looking information.

- **Judgment of Significant increase in credit risk:** As explained in *note 4*, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information;
- **Estimate of Probability of default:** PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

See *Note 28* for more details, including analysis of the sensitivity of the reported ECL to changes in PD and LGD.

- **Estimate of Loss Given Default:** LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

7. CASH AND CASH EQUIVALENTS

<i>(in thousands of Georgian Lari)</i>	December 31, 2025	December 31, 2024
Cash	11,473	12,217
Balances with the NBG	12,247	1,115
Correspondent accounts and time deposits with original maturities up to 90 days	31,639	25,248
Less: allowance for expected credit losses	(1)	(1)
Total cash and cash equivalents	55,358	38,579

Cash and cash equivalents are non-past due financial assets as at December 31, 2025 and 2024. The allowance for expected credit losses as at December 31, 2025 and 2024 was estimated based on counterparty ratings determined by the international rating agencies.

As at December 31, 2025 and 2024 the majority of the Bank's cash in banks is with banks rated by Fitch Ratings as BB- (long-term rating).

NOTES TO THE FINANCIAL STATEMENTS (continued)**8. MANDATORY CASH BALANCE WITH THE NATIONAL BANK OF GEORGIA**

Mandatory cash balance with the National Bank of Georgia (“NBG”) represent amounts deposited with the NBG. Resident financial institutions are required to maintain an interest-earning obligatory reserve with the NBG, the amount of which depends on the level of funds attracted by the financial institutions. Mandatory balances with the NBG are interest bearing financial assets.

<i>(in thousands of Georgian Lari)</i>	December 31, 2025	December 31, 2024
Mandatory balances with the NBG	14,809	63,066
Less: allowance for expected credit losses/impairment losses	-	(1)
Total mandatory balances with the NBG	14,809	63,065

Mandatory balances with the NBG are non-past due financial assets as at December 31, 2025 and 2024. The allowance for expected credit losses as at December 31, 2025 and 2024 was estimated based on counterparty ratings determined by the international rating agencies.

According to Fitch, country rating for Georgia stands at BB, while outlook upgraded from negative to stable.

9. LOANS TO CUSTOMERS

Loans to customers comprise:

<i>(in thousands of Georgian Lari)</i>	December 31, 2025	December 31, 2024
Loans to customers	1,002,166	773,528
Less: allowance for expected credit losses	(17,173)	(17,393)
Total loans to customers	984,993	756,135

The table below summarizes carrying value of loans to customers analysed by the sector:

<i>(in thousands of Georgian Lari)</i>	December 31, 2025	December 31, 2024
Loans to legal entities		
Trade and services	392,479	284,160
Construction	98,788	56,485
Mining and production	36,823	38,658
Agriculture	21,708	19,857
Leasing	31,677	27,746
Energy	4,175	2,490
Other sector	6,785	3,346
Total loans to legal entities	592,435	432,742
Loans to individuals		
Consumer loans	253,671	212,412
Mortgage loans	156,060	128,374
Total loans to individuals	409,731	340,786
Gross loans to customers	1,002,166	773,528
Less: allowance for expected credit losses	(17,173)	(17,393)
Total loans to customers	984,993	756,135

As of December 31, 2025 two largest groups of borrowers, each individually exceeding 10% of the Bank’s Tier 1 capital, comprised GEL 91,143 or 9% of total loans to customers (December 31, 2024: GEL 85,153 or 11% of total loans to customers).

NOTES TO THE FINANCIAL STATEMENTS (continued)**9. LOANS TO CUSTOMERS (continued)**

The table below summarizes carrying value of loans to customers analysed by type of collateral obtained by the Bank:

<i>(in thousands of Georgian Lari)</i>	December 31, 2025	December 31, 2024
Loans collateralized by combined collateral*	611,638	457,958
Loans collateralized by pledge of real estate	299,858	246,735
Loans collateralized by guarantees	67,077	44,875
Loans collateralized by cash	8,839	7,986
Unsecured loans	14,754	15,974
Gross loans to customers	1,002,166	773,528
Less: allowance for expected credit losses	(17,173)	(17,393)
Total loans to customers	984,993	756,135

* These loans are collateralized by combination of different kinds of collateral: real estate, vehicles, inventories, equipment, finished products and guarantees.

As at December 31, 2025 and 2024 significant amount of loans (99% of total loans to customers) is granted to companies operating in Georgia.

Analysis loans to customers by credit quality, distinguishing between individually and collectively assessed loans outstanding as at December 31, 2025 and 2024 is presented below:

As at December 31, 2025	Gross loans	Allowance for ECL	Net loans	ECL to gross loans
Collectively assessed				
Not past due	826,900	(4,618)	822,282	0.56%
Overdue:				
up to 30 days	33,886	(1,181)	32,705	3.49%
31 to 60 days	3,569	(510)	3,059	14.29%
61 to 90 days	1,112	(172)	940	15.47%
91 to 180 days	1,907	(489)	1,418	25.64%
over 180 days	9,968	(3,592)	6,376	36.04%
Total collectively assessed loans	877,342	(10,562)	866,780	1.20%
Individually assessed				
Not past due	72,855	(1,564)	71,291	2.15%
Overdue:				
up to 30 days	8,451	(54)	8,397	0.64%
31 to 60 days	5,993	-	5,993	0.00%
61 to 90 days	3,826	-	3,826	0.00%
91 to 180 days	10,340	(1,388)	8,952	13.42%
over 180 days	23,359	(3,605)	19,754	15.43%
Total individually assessed loans	124,824	(6,611)	118,213	5.30%
Total loans to customers	1,002,166	(17,173)	984,993	1.71%

NOTES TO THE FINANCIAL STATEMENTS (continued)**9. LOANS TO CUSTOMERS (continued)**

As at December 31, 2024	Gross loans	Allowance for ECL	Net loans	ECL to gross loans
Collectively assessed				
Not past due	620,583	(4,406)	616,177	0.71%
Overdue:	–	–	–	
up to 30 days	21,264	(649)	20,615	3.05%
31 to 60 days	3,884	(470)	3,414	12.10%
61 to 90 days	2,457	(402)	2,055	16.36%
91 to 180 days	2,155	(341)	1,814	15.82%
over 180 days	10,590	(3,287)	7,303	31.04%
Total collectively assessed loans	660,933	(9,555)	651,378	1.45%
Individually assessed				
Not past due	51,814	(3,464)	48,350	6.69%
Overdue:	–	–	–	0.00%
up to 30 days	26,905	(851)	26,054	3.16%
31 to 60 days	329	–	329	0.00%
61 to 90 days	9,590	(94)	9,496	0.98%
91 to 180 days	5,752	(174)	5,578	3.03%
over 180 days	18,205	(3,255)	14,950	17.88%
Total individually assessed loans	112,595	(7,838)	104,757	6.96%
Total loans to customers	773,528	(17,393)	756,135	2.25%

The amount of collateral repossessed by the Bank during 2025 and 2024 is GEL 2,728 thousand and GEL 1,554 thousand, respectively. As at December 31, 2025 and 2024 the carrying value of the repossessed assets is GEL 14,470 thousand and GEL 12,957 thousand, respectively (*Note 12*).

Reconciliation of loans to customers and corresponding expected credit losses by stages as at December 31, 2025 and December 31, 2024 are as follows:

<i>(in thousands of Georgian Lari)</i>	December 31, 2025			December 31, 2024		
	Gross loans	Allowance for ECL	Net loans	Gross loans	Allowance for ECL	Net loans
Stage 1- 12 month ECL	864,878	(2,812)	862,066	641,608	(3,119)	638,489
Stage 2 - Lifetime ECL – not credit-impaired:						
<i>Individually assessed</i>	42,186	(85)	42,101	39,232	(1,223)	38,009
<i>Collectively assessed</i>	12,901	(1,198)	11,703	10,090	(986)	9,104
	55,087	(1,283)	53,804	49,322	(2,209)	47,113
Stage 3 - Lifetime ECL – credit-impaired:						
<i>Individually assessed</i>	59,265	(6,526)	52,739	58,698	(6,616)	52,082
<i>Collectively assessed</i>	22,936	(6,552)	16,384	23,900	(5,449)	18,451
	82,201	(13,078)	69,123	82,598	(12,065)	70,533
Total loans to customers	1,002,166	(17,173)	984,993	773,528	(17,393)	756,135

Stage 1 loans also include four individually assessed groups with total net amount of GEL 23,374 thousand and GEL 14,664 thousand as at 31 December 2025 and 2024, respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)**10. INVESTMENTS IN DEBT INSTRUMENTS MEASURED AT AMORTISED COST**

Investments in debt instruments measured at amortised cost comprise:

	December 31, 2025		December 31, 2024	
	Nominal annual interest rate	Amount	Nominal annual interest rate	Amount
<i>(in thousands of Georgian Lari)</i>				
T-notes	9.38%	5,931	9.37%-10.5%	12,141
Less: allowance for expected credit losses		(6)		(7)
Total investments in debt instruments		5,925		12,134

Investments in debt instruments are non-past due financial assets as at December 31, 2025 and 2024. The allowance for expected credit losses as at December 31, 2025 and 2024 is estimated based on counterparty ratings determined by the international rating agencies.

Roll forward of the gross debt instruments is below:

	January 1, 2025	Assets repaid	Interest received during the year	December 31, 2025
T-notes	12,141	(5,963)	(247)	5,931

	January 1, 2024	Assets repaid	Interest received during the year	December 31, 2024
T-notes	17,353	(5,000)	(212)	12,141

NOTES TO THE FINANCIAL STATEMENTS (continued)**11. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS**

Property and equipment and right-of-use assets comprise:

<i>(in thousands of Georgian Lari)</i>	Buildings	Computers and communication equipment	Vehicles	Furniture and fixture	Other	Leasehold improvements	Right-of-use assets *	Total
At cost / revalued amount								
January 1, 2024	10,626	7,383	542	1,403	1,274	627	3,488	25,343
Additions	–	387	–	60	126	97	1,484	2,154
Write off	–	–	–	–	–	(221)	(1,482)	(1,703)
Revaluation	276	–	–	–	–	–	–	276
Eliminated on revaluation	(338)	–	–	–	–	–	–	(338)
December 31, 2024	10,564	7,770	542	1,463	1,400	503	3,490	25,732
Additions	845	801	–	590	154	248	2,646	5,284
Disposals	–	–	–	(35)	(2)	–	(1,201)	(1,238)
December 31, 2025	11,409	8,571	542	2,018	1,552	751	4,935	29,778
Accumulated depreciation and impairment								
January 1, 2024	189	3,792	303	1,101	1,120	550	2,011	9,066
Charge for the year	163	829	51	86	68	75	896	2,168
Eliminated on revaluation	(338)	–	–	–	–	–	–	(338)
Eliminated on disposals	–	–	–	–	–	(221)	(1,482)	(1,703)
December 31, 2024	14	4,621	354	1,187	1,188	404	1,425	9,193
Charge for the year	172	911	51	92	64	27	1,179	2,496
Disposals	–	–	–	(34)	(2)	–	(1,100)	(1,136)
December 31, 2025	186	5,532	405	1,245	1,250	431	1,504	10,553
Net book value								
As at December 31, 2024	10,550	3,149	188	276	212	99	2,065	16,539
As at December 31, 2025	11,223	3,039	137	773	302	320	3,431	19,225

* The Right-of-use assets comprised of a single category – buildings.

As at December 31, 2025 and 2024 the Bank did not have any pledged property and equipment.

As at December 31, 2025 and 2024 included in property and equipment were fully depreciated assets totaling GEL 7,691 thousand and GEL 4,268 thousand, respectively.

The bank applies the revaluation model to buildings. Revaluations are performed at least once every two years. Management assessed that there were no significant changes in market prices during 2025

The buildings were revalued to market value on December 1, 2024.

NOTES TO THE FINANCIAL STATEMENTS (continued)**11. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS (continued)**

In 2024 the valuation was carried out by an independent firm of valuers holding a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and nature. The valuers applied the market approach, using three comparable transactions (registered sales and/or offers for sale). Adjustments were made to the comparable prices to reflect differences between the subject assets and the selected comparables.

The market approach was applied to most assets due to the availability of sufficient observable market data, including a number of recent transactions and active listings as at the valuation date.

Details of the Bank's buildings and information about the fair value hierarchy as at December 31, 2025 were as follows:

	Valuation technique	Unobservable inputs	Fair value hierarchy	Fair value as at December 31, 2025
Buildings in following region:				
- Tbilisi - Shartava street				6,297
- Tbilisi - Kostava street				3,227
- Batumi - Gorgasali street	Sales comparison approach	Price per square meter	Level 3	1,354
- Tbilisi - Gamsakhurdia street				531
Total				11,409

Had the Bank's buildings been measured on a historical cost basis, their carrying amount would have been GEL 7,888 thousand and GEL 8,057 thousand as at December 31, 2025 and December 31, 2024, respectively.

12. OTHER ASSETS

Other assets comprise:

<i>(in thousands of Georgian Lari)</i>	December 31, 2025	December 31, 2024
Other financial assets		
Settlements on foreign exchange operations	4,136	4,464
Accounts receivable	629	733
Less: allowance for expected credit losses	(185)	(275)
Accounts receivable, net	4,580	4,922
Financial assets at fair value through profit or loss (Note 18)	-	1,168
Total financial assets	4,580	6,090
Other non-financial assets		
Repossessed assets	14,470	12,957
Prepaid expenses	1,369	1,616
Prepayments for property and equipment	51	72
Tax settlements, other than income tax	62	115
Other	255	282
Total non-financial assets	16,207	15,042
Total other assets	20,787	21,132

Settlements on foreign exchange operations represent receivables from spot exchange deals with resident commercial banks, which are gross settled within 2 business days after the reporting date.

The Bank holds repossessed property which represent land and other real estate taken into Bank's ownership as a settlement of non-performing loans. The Bank intends to sell those assets in normal course of business. The Bank does not consider the repossessed assets for the investment purposes.

During 2025, the Bank repossessed properties of GEL 2,729 thousand (2024: GEL 1,554 thousand) through non-cash settlement of loans to customers. In the same period, the Bank disposed of repossessed collateral with carrying value of GEL 1,871 thousand (2024: GEL 2,640 thousand) and recognized a net Gain on disposal of GEL 26 thousand (2024: GEL 601 thousand) presented in Other income.

NOTES TO THE FINANCIAL STATEMENTS (continued)**12. OTHER ASSETS (continued)**

The Bank engages external appraiser to assess the fair values of the repossessed properties on a regular basis to identify the need of write-downs. Based on the valuation results available and management's assessment at the reporting date, no additional provision charge was recognized in respect of repossessed properties for the year ended December 31, 2025.

Management's assessment considered, among other factors, the current condition and marketability of the assets, progress in disposal activities and expected recovery through sale.

13. DUE TO THE PARENT

Due to the Parent comprise:

	Currency	Maturity Year	Nominal /Weighted average effective rate 2025	December 31, 2025	Nominal /Weighted average effective rate 2024	December 31, 2024
Loans from the Parent	EUR/USD	2026-2030	4.41%	494,925	5.16%	367,141
Deposits by the Parent		-	-	-	5.53%	14,153
Total due to the Parent				494,925		381,294

As at December 31, 2025, none of the loans are subject to financial or non-financial covenants.

All balances due to the Parent are unsecured.

Reconciliation of changes arising from Loans and deposits from the Parent during 2025 and 2024 is presented below:

<i>(in thousands of Georgian Lari)</i>	January 1, 2025	Receipt of principal	Repayment of principal	Interest accrual during the year	Interest paid during the year	Foreign exchange loss during the year	December 31, 2025
Loans from the Parent	367,141	921,132	(782,208)	21,781	(35,343)	2,422	494,925
Deposits by the Parent	14,153	129,941	(143,417)	1,256	(1,351)	(582)	-

<i>(in thousands of Georgian Lari)</i>	January 1, 2024	Receipt of principal	Repayment of principal	Interest accrual during the year	Interest paid during the year	Foreign exchange loss during the year	December 31, 2024
Loans from the Parent	420,889	248,119	(311,742)	18,184	(13,172)	4,863	367,141
Deposits by the Parent	-	56,549	(42,515)	2,199	(1,731)	(349)	14,153

14. DEPOSITS BY CUSTOMERS

Deposits by customers comprise:

<i>(in thousands of Georgian Lari)</i>	December 31, 2025	December 31, 2024
Term deposits	211,630	161,096
Repayable on demand	84,633	73,737
Total deposits by customers	296,263	234,833

NOTES TO THE FINANCIAL STATEMENTS (continued)**14. DEPOSITS BY CUSTOMERS (continued)**

As at December 31, 2025 and 2024 deposits by customers totaling GEL 162,273 thousand and GEL 105,364 thousand (54.77% and 44.87% of total deposits by customers), respectively, are due to 10 customers, which represents a significant concentration.

As at December 31, 2025 and 2024 deposits by customers totaling GEL 351 thousand and GEL 4,562 thousand GEL, respectively, are held as security against guarantees issued by the Bank.

As at December 31, 2025 and 2024 deposits by customers totaling GEL 28,180 thousand and GEL 13,697 thousand GEL, respectively, were pledged as security for loans to customers.

Analysis of deposits by customers broken down by industries is presented below:

<i>(in thousands of Georgian Lari)</i>	December 31, 2025	December 31, 2024
Trade and service	158,035	97,360
Individuals	99,863	89,906
State and public organisations	10,605	26,660
Transportation and communication	6,785	6,515
Construction	16,796	5,851
Energy	1,277	4
Other	2,902	8,537
Total deposits by customers	296,263	234,833

15. DEBT SECURITIES ISSUED

Roll forward of Debt securities issued:

	January 1, 2025	Repayment of principal	Interest accrual during the year	Interest paid during the year	Foreign exchange loss during the year	December 31, 2025
Debt securities issued	5,050	(4,923)	102	(99)	(130)	-

	January 1, 2024	Repayment of principal	Interest accrual during the year	Interest paid during the year	Foreign exchange gain during the year	December 31, 2024
Debt securities issued	5,062	(278)	249	(206)	223	5,050

On May 25, 2022, three-year bonds of Halyk Bank Georgia were listed on the Astana International Exchange for daily trading. The bonds carried a 4% coupon and were issued at a discount.

From the first tranche, 92 bonds were sold (nominal amount: USD 9,200,000).

Early redemptions took place in November 2023 (73 bonds), in May 2024 (1 bond), and in May 2025 (the remaining 18 bonds). As a result, no debt securities are outstanding as at 31 December 2025.

16. LEASE LIABILITY

The Bank leases several building areas for its operating branches. The average lease term is 5-10 years.

Reconciliation of changes arising from lease operations is presented below:

Lease Liabilities	January 1	Additions during the year	Interest accrual during the year	Repayments of lease during the year	Foreign exchange gain/loss during the year	December 31
2025	2,184	2,552	201	(1,248)	(3)	3,686
2024	1,473	1,484	112	(1,022)	137	2,184

NOTES TO THE FINANCIAL STATEMENTS (continued)**16. LEASE LIABILITY (continued)**

Amounts related to the lease operations recognised in profit or loss are the following:

	Note	2025	2024
Amounts recognised in profit or loss			
Depreciation expense on right-of-use assets	11	1,179	896
Interest expense on lease liabilities		201	112
Expense related to short-term and low-value assets		169	111

Maturity analysis of lease liabilities is presented in *Note 28*.

17. SUBORDINATED DEBT

Subordinated debt comprises:

	Currency	Maturity date year	Nominal/Weighted average effective rate	December 31, 2025	December 31, 2024
JSC Halyk Bank Kazakhstan (the "Parent")	USD	2033	4.42%	27,021	28,142
Total subordinated debt				27,021	28,142

In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinated to the repayments of the Bank's liabilities to all other creditors.

On July 25, 2012 the Bank obtained a USD denominated subordinated loan with the interest rate of 7% p.a. maturing on July 25, 2018 from the Parent. Since then, the term of the loan was prolonged several times to ensure compliance with the capital adequacy framework. Management believes that interest rate on the loan is in line with the market rate for the similar instruments, therefore loan was recognized at fair value using market interest rate.

During 2025 the contractual interest rate and maturity was amended. The Bank assessed the amendment in accordance with IFRS 9 and concluded that effect of modification was not material.

No equity conversion option is presented in the subordinated loan agreement as at December 31, 2025 and 2024.

The movements in subordinated debt for the year ended December 31, 2025 and 2024 are as follows:

	January 1	Interest accrual during the year	Interest paid during the year	Foreign exchange gain/(loss) during the year	December 31
2025	28,142	1,240	(1,240)	(1,121)	27,021
2024	26,965	1,245	(1,241)	1,173	28,142

18. OTHER LIABILITIES

Other liabilities comprise:

	December 31, 2025	December 31, 2024
<i>(in thousands of Georgian Lari)</i>		
Other financial liabilities:		
Settlement of foreign exchange operations	4,140	4,447
Employee benefits payable	3,493	3,173
Accounts payable	4,500	1,423
Total other financial liabilities	12,133	9,043
Financial liabilities at fair value through profit or loss	-	78
Total financial Liabilities	12,133	9,121
Other non-financial liabilities:		
Taxes payable, other than income tax	9	1
Total other liabilities	12,142	9,122

NOTES TO THE FINANCIAL STATEMENTS (continued)**18. OTHER LIABILITIES (continued)**

Financial liabilities through profit or loss represent foreign currency swap contracts. Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts.

In a foreign currency swaps, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are gross-settled.

The table below summarizes the undiscounted contractual amounts for swaps outstanding at December 31, 2025 and 2024, analysed by remaining contractual maturities. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts are recognized in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount	
	December 31, 2025	December 31, 2024
Sell USD buy GEL		
Less than 3 months	-	2,807
	-	2,807

	Notional amount	
	December 31, 2025	December 31, 2024
Sell EUR buy GEL		
Less than months	-	14,653
Less than 3 months	-	11,722
Between 3 and 6 months	-	14,653
	-	41,028

19. SHARE CAPITAL

As at December 31, 2025 and 2024 the Bank's authorized and issued share capital consists of:

- 76,000 fully paid-up ordinary shares with a nominal value of GEL 1,000 each.

Ordinary shares carry full voting rights at general meetings of shareholders, the right to participate in dividends declared by the Company, and the right to share in the distribution of residual assets upon liquidation in proportion to the nominal value of the shares held.

There are no restrictions attached to ordinary shares in respect of dividend distribution or repayment of capital. Dividends are declared at the discretion of the shareholders' meeting, subject to applicable legal and regulatory requirements. No dividends were paid on ordinary shares. The profit of past years was retained and transferred to retained earnings.

- 37,500 fully paid-up preference shares with a nominal value of GEL 1,600 each.

Preference shares do not carry voting rights. These shares entitle their holders to receive a fixed annual dividend at a predetermined rate, prior to any dividend distribution to ordinary shareholders and subject to confirmation of the annual shareholders' meeting.

There are no additional restrictions attached to preference shares in respect of dividend distribution or repayment of capital. In the event of liquidation, preference shareholders are entitled to repayment of capital in priority to ordinary shareholders, in accordance with applicable legislation.

In May 2025, the Bank distributed dividends on its preferred shares. The total dividend amount for 2025 was GEL 4,460 thousand (2024: GEL 1,000 thousand). Dividend per share amounted to GEL 128 for the year ended 31 December (2024: GEL 128).

NOTES TO THE FINANCIAL STATEMENTS (continued)**20. NET INTEREST INCOME BEFORE IMPAIRMENT LOSSES**

Net interest income before impairment losses comprise of:

<i>(in thousands of Georgian Lari)</i>	2025	2024 Reclassified
Interest revenue calculated using the effective interest rate method:		
Loans to customers	88,968	70,631
Investments in debt instruments	599	1,236
Cash and cash equivalents	1,505	3,593
Mandatory cash balance with the NBG	613	273
Total interest income	91,685	75,734
Interest expense calculated using the effective interest rate method:		
Deposits by customers	(15,310)	(11,629)
Due to the Parent	(23,037)	(20,005)
Due to financial institutions	(292)	(378)
Debt securities issued	(102)	(249)
Subordinated debt	(1,240)	(1,245)
	(39,981)	(33,506)
Other interest expense:		
Lease liability	(201)	(112)
Total interest expense	(40,182)	(33,618)
Net interest income	51,503	42,116

21. IMPAIRMENT LOSSES ON INTEREST BEARING AND NON-INTEREST-BEARING ASSETS / PROVISION FOR OTHER OPERATIONS

Movements in ECL on interest-bearing assets are presented below:

<i>(in thousands of Georgian Lari)</i>	Cash and cash equivalents	Mandatory cash balances with the NBG	Due from financial institutions	Loans to Customers	Investments in debt instruments	Total
January 1, 2024	1	1	24	19,479	16	19,521
Impairment losses/(recovery of impairment losses)	-	-	(24)	(2,751)	(9)	(2,784)
Interest income correction	-	-	-	665	-	665
December 31, 2024	1	1	-	17,393	7	17,402
Impairment losses/(recovery of impairment losses)	-	(1)	-	(583)	(1)	(585)
Write off	-	-	-	(42)	-	(42)
Interest income correction	-	-	-	405	-	405
December 31, 2025	1	-	-	17,173	6	17,180

Movements in ECL on non-interest-bearing assets are presented below:

January 1, 2024	288
Allowance for credit losses	36
Write off	(48)
December 31, 2024	276
Allowance for credit losses	7
Write off	(98)
December 31, 2025	185

NOTES TO THE FINANCIAL STATEMENTS (continued)**22. FEE AND COMMISSION INCOME AND EXPENSE**

Fee and commission income and expense comprise:

<i>(in thousands of Georgian Lari)</i>	2025	2024 Reclassified
Fee and commission income:		
Plastic card operations	1,238	1,433
Income from guarantees	904	591
Settlements	626	550
Cash operations	286	243
Other	129	93
Total fee and commission income	3,183	2,911
Fee and commission expense:		
Plastic card operations	(2,160)	(2,135)
Settlements	(493)	(406)
Cash operations	(120)	(24)
Other fee expense	(53)	(43)
Total fee and commission expense	(2,826)	(2,608)
Net fee and commission expense	357	304

Other fee and commission income includes fees and commissions, arising from changes in contractual financing terms, including changes in collateral terms, that are not treated as an integral part of the effective interest rate calculation.

23. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprise:

<i>(in thousands of Georgian Lari)</i>	2025	2024
Dealing, net	2,473	3,024
Translation differences, net	725	140
Net gain/(loss) on foreign exchange operations	3,198	3,164

24. OPERATING EXPENSES

Operating expenses comprise:

<i>(in thousands of Georgian Lari)</i>	2025	2024
Staff costs	17,539	15,626
Depreciation and amortization	3,194	2,869
IT services	1,744	1,459
Advertising costs	995	1,247
Professional services	626	541
Taxes, other than income tax	419	399
Communications	343	304
Representative expenses	238	168
Utilities	225	245
Insurance expense	214	190
Card operations and settlement expenses	188	193
Expenses related to short-term and low-value assets	169	111
Property and equipment maintenance	168	183
Office supplies	156	176
Business trip expenses	92	59
Security expenses	84	82
Other expenses	2,039	1,585
Total operating expenses	28,433	25,437

Auditor's remuneration for the statutory audit of the Bank's financial statements amounted to GEL 242 thousand for 2025 (2024: GEL 264 thousand).

NOTES TO THE FINANCIAL STATEMENTS (continued)**24. OPERATING EXPENSES (continued)**

The following table presents average number of employees in 2025 and 2024:

<i>(in thousands of Georgian Lari)</i>	2025	2024
Top management	8	8
Middle management	36	35
Other permanent staff	277	279
Temporary staff	-	-
Total	321	322

25. INCOME TAXES

Deferred tax assets/(liabilities) as at 31 December 2025 and 2024 comprise:

<i>(in thousands of Georgian Lari)</i>	Deferred tax assets/ (liabilities) as at December 31, 2023	Deferred Tax expense recognized in profit or loss	Net Deferred tax assets/ (liabilities) as at December 31, 2024	Deferred Tax income recognized in profit or loss	Net Deferred tax assets/ (liabilities) as at December 31, 2025
Other assets	172	463	635	(525)	110
Provisions for other operations	578	(433)	146	553	699
Lease liabilities	295	(32)	262	475	737
Other liabilities	255	182	437	(143)	294
Property and equipment and intangible assets	(1,630)	(186)	(1,816)	(358)	(2,174)
Total	(330)	(6)	(336)	2	(334)

The corporate income tax expense for the years ended 31 December 2025 and 2024 comprised:

<i>(in thousands of Georgian Lari)</i>	2025	2024
Current tax expense	(5,292)	(4,720)
Deferred tax income	2	49
Other movement	(2)	30
Income tax expense	(5,292)	(4,641)

The effective tax rate reconciliation is as follows for the years ended December 31, 2025 and 2024:

	2025	2024
Profit before income tax	27,520	25,142
Statutory tax rate	20%	20%
Theoretical income tax (expense)/benefit at the statutory rate	5,504	5,028
Tax exempt income	(256)	(413)
Non-deductible expenses	42	56
Other movement	2	(30)
Income tax expense	5,292	4,641

NOTES TO THE FINANCIAL STATEMENTS (continued)**26. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Bank enters into financial contracts with off-balance risk in order to meet the needs of its customers. These instruments expose the Bank to varying degrees of credit risk and are not recognised in the statement of financial position, except for the related expected credit loss allowance.

The Bank applies the same credit control and risk management policies to off-balance-sheet commitments as to on-balance-sheet operations.

Provision for losses on contingent liabilities amounts to GEL 80 thousand and GEL 154 thousand as at December 31, 2025 and 2024, respectively.

As at December 31, 2025 and 2024 contingent liabilities comprise:

<i>(in thousands of Georgian Lari)</i>	December 31, 2025	December 31, 2024
Contingent liabilities and credit commitments		
Unused credit lines	47,786	46,667
Guarantees issued and similar commitments	23,758	24,624
Total contingent liabilities and credit commitments	71,544	71,291

Extension of loans to customers within credit line limits is approved by the Bank on a case-by-case basis and depends on the borrowers' financial performance, debt service and other conditions. The maximum exposure to credit risk in respect of undrawn loan commitments is the contractual amount of the commitments.

Capital commitments

No material capital commitments were outstanding as at December 31, 2025 and 2024.

Legal proceedings

From time to time, in the normal course of business, claims are brought against the by customers and counterparties. Management believes these claims will not result in material losses, and accordingly no provision has been recognised in these financial statements.

Taxation

Commercial legislation of Georgia, including tax legislation, may allow more than one interpretation. As a result, the tax authorities may challenge certain transactions or interpretations adopted by the Bank, which could result in additional taxes, penalties and interest.

Georgian transfer pricing regulations apply to certain transactions entered into by the Bank, including transactions with its parent entity such as loans and deposits. The Bank assesses the tax implications of such transactions on an ongoing basis to ensure compliance with applicable legislation.

Management believes that the Bank has appropriately recognised all tax liabilities as at the reporting date.

Last tax inspection took place in August 2018, thus the open period for tax inspection is 2023-2025.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS**Fair value of financial instruments for which fair value is disclosed**

For financial assets and liabilities that have a short-term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and current accounts without a maturity, and variable rate financial instruments.

The fair values of other financial instruments measured at amortised cost are estimated with reference to market interest rates at the reporting date for instruments with similar maturity, currency and credit risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS (continued)**27. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Fair value of financial instruments for which fair value is disclosed (continued)**

The fair value of financial assets and liabilities for which fair values are disclosed together with the corresponding carrying amount as of December 31, 2025 and 2024 is presented below:

<i>(in thousands of Georgian Lari)</i>	Fair value hierarchy	December 31, 2025		December 31, 2024	
		Carrying amount	Fair value	Carrying amount	Fair value
Assets for which fair value is disclosed					
Loans to customers	Level 3	984,993	982,101	756,135	763,467
Investments in debt securities	Level 2	5,925	5,910	12,134	12,279
Due from financial institutions	Level 2	866	866	865	865
Liabilities for which fair value is disclosed					
Due to the Parent	Level 2	494,925	486,494	381,294	379,289
Due to financial institutions	Level 3	3	3	4	4
Deposits by customers	Level 3	296,263	292,143	234,833	239,187
Debt securities issued	Level 2	–	–	5,050	5,054
Subordinated debt	Level 3	27,021	27,018	28,142	28,140

Fair value of the financial instruments measured at fair value on a recurring basis

The following table gives information about how the fair values of derivative financial instruments are determined.

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	December 31, 2025	December 31, 2024		
Financial assets at fair value through profit or loss	–	1,168	Level 2	Future cash flows are estimated based on swap exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates.
Financial liability at fair value through profit or loss	–	78	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates.

Investments in equity instruments are also measured at fair value on recurring basis and are categorized into Level 3.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. RISK MANAGEMENT POLICIES

Effective risk management is fundamental to the Bank's business and is an essential element of the its operations. The main risks arising from the Bank's operations are:

- Credit risk;
- Liquidity risk;
- Market risk.

The Bank has established a comprehensive risk management framework designed to identify, measure, monitor and control these risks, thereby safeguarding the Bank's financial stability and supporting the achievement of its performance objectives. A summary description of the Bank's risk management policies in relation to those risks follows.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations.

Risk management and monitoring is performed within set limits of authority. These processes are performed by the Bank's Management Board. The Risk Management divisions play an important role in managing and controlling the credit risk. They are responsible for the credit risks identification and evaluation, implementation of the control and monitoring measures. The Risk Management divisions directly participate in the credit decision-making processes and consideration of internal rules, regulations and loan programs. Along with that, they provide independent recommendations concerning credit exposure minimization measures, control and monitor credit risks, provide relevant reporting to the management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures. The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or a group of borrowers, and to industry segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee (ALMC). Limits on credit risk exposure with respect to credit programs (Small and medium enterprises (SME) and retail) are approved by the Management Board. The exposure to any one borrower, covers on and off-balance sheet exposures which are reviewed by the Credit Committees and ALMC. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of guarantees issued, the Bank obtains collateral and corporate and personal guarantee.

Commitments to extend credit represent guarantees or letter of credit. The credit risk on off-balance sheet financial instruments is defined as the probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the 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 off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Definition of default, impaired and cure

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are classified as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event; instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses at each reporting date whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. RISK MANAGEMENT POLICIES (continued)**Definition of default, impaired and cure (continued)**

Loans for which concessions are granted as a result of the borrower's present or expected financial difficulties are considered indicators of credit impairment and are classified as Stage 3 at the date of modification. Such loans remain classified as credit-impaired until there is sufficient evidence of sustained improvement in credit risk. For financial assets where concessions are contemplated but not granted the financial asset is assessed for credit impairment based on observable evidence, including whether the exposure meets the Bank's definition of default.

The Bank considers the following as constituting an event of default:

- The borrower is past due more than 90 days;
- The borrower is unlikely to pay its credit obligations to the Bank in full, its debts were written-off or sold with significant discount or borrower is considered as "problematic" or the borrower is under litigation process to be recognised as bankrupt;
- Active credit rating is 8, 9 or 10;
- For corporate and medium and small business $DSCR < 1$ and for retail segment $PTI > 70\%$ if borrower's income equal or exceeds 1,500 GEL per month or $PTI > 55\%$ if borrower's income is less than 1,500 GEL per month;
- Restructuring of credit obligations by decision of different credit committees might be considered as an event of default or in some circumstances as a sign of significantly increased credit risk depending on credit quality of credit obligation.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Cure

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least 6 consecutive months or financial analyses proves decreased credit risk with 3 consecutive months payments of principal and interest. The same conditions are employed to re-classify out of Stage 2 to stage 1 when none of the SICR criteria have been present.

Significant increase in credit risk

The Bank monitors financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank measures the ECL based on lifetime rather than 12 months' ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Bank considers both quantitative and qualitative information that is reasonable and supportable. Significant deterioration of credit rating of borrower leading to increase of the PD by more than 10 p. p. with active internal rating 6- or worse could be considered as the qualitative signs of significant increase in credit risk and are used for identification of loans for individual assessment of ECL if the borrowers exposure is above materially significant threshold (1% of tier 1 capital for clients or group of related clients with SICR and 0.5% of tier 2 capital for clients or group of related clients with default).

When an asset becomes more than 30 days past due or restructured due to financial problems, the Bank considers that as a back stop and an automatic sign of a significant increase in credit risk, so, the asset is moved to stage 2.

ECL for financial instruments, other than loans to customers

For undrawn loan commitments and financial guarantee contracts, ECL is measured based using Credit Conversion Factor of 24.8% for undrawn loan commitments and 100% for financial guarantees as at December 31, 2025 (30.1% and 100%, respectively, as at December 31, 2024).

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. RISK MANAGEMENT POLICIES (continued)**ECL for financial instruments, other than loans to customers (continued)**

Due from financial institutions, interbank deposits and corresponding accounts, investment in debt securities are subject to impairment based on 12 months' ECL. The estimates of probability default and loss given default for clients are derived from credit rating information supplied by international rating agencies.

Allowance for expected credit losses on other receivables is estimated based on ECL rates on other financial instruments of client, however in the absence of such the enforcement costs are used.

Credit risk grades of loans to customers

The Bank allocates each exposure to an internal credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to the credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

The Bank uses automated tool Risk Rate for the corporate borrowers that includes two possible approaches to internal rating models: Fundamental Analysis and Scorecard. Both approaches support sophisticated analysis of ratios and financial metrics.

The primary difference between these two approaches is the way the system calculates and scores the inputs of the model. While the methodologies of these approaches differ, they are both based on the same technology platform. Additionally, each internal rating model, no matter the approach used, produces a borrower rating. The Internal Rating Model Risk Rate supports the creation and customization of internal rating models using both approaches.

The Bank uses another internal scorecard system for the assessment of SME borrowers. The scorecard is based on statistical information of borrowers' financial data as well as qualitative characteristics.

Upon disbursement of a loan, an exposure score is assigned based on the predetermined criteria, which is later reflected in grades.

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Credit risk grades of loans to customers (continued)**

Ratings upon disbursement of a loan are summarized in the below table:

Ratings	Description
1	
2+	
2	
3+	High quality loan, low risk. The loan meets the highest requirements. Client's capacity for payment is very strong. The activity is practically not subjected to external negative influencing factors. Distribution of ratings within the category depends on different quantitative and qualitative parameters, such as financial covenants, quality of management, quality of financial information, influence of external factors, etc.
3	
3+	
3	
3-	
4+	Satisfactory loan quality, low risk. The loan meets most of the requirements. Capacity for payment is strong. Weak dependence on external economic factors. Distribution of ratings within the category depends on different quantitative and qualitative parameters, such as financial covenants, quality of management, quality of financial information, influence of external factors, etc.
4	
4-	
5+	
5	Relatively small vulnerability in the short term, however, higher sensitivity to the effects of adverse changes in business, financial and economic spheres. Distribution of ratings within the category depends on different quantitative and qualitative parameters, such as financial covenants, quality of management, quality of financial information, influence of external factors, etc.
5-	
6+	
6	High vulnerability in adverse business, financial and economic conditions, although at present there is the possibility of meeting financial obligations. Distribution of ratings within the category depends on different quantitative and qualitative parameters, such as financial covenants, quality of management, quality of financial information, influence of external factors, etc.
6-	
7+	
7	High risk of default (high, at the moment, exposure to credit risks); financial obligations can be met in the presence of favorable business, financial and economic conditions. Distribution of ratings within the category depends on different quantitative and qualitative parameters, such as financial covenants, quality of management, quality of financial information, influence of external factors, etc.
7-	
8	
9	Very high risk of default. Customer solvency is low. Customer activity is completely dependent on external factors. Distribution of ratings within the category depends on different quantitative and qualitative parameters, such as financial covenants, quality of management, quality of financial information, influence of external factors, etc.
10	

* *Loans without rating: amount below USD 100,000, cash cover loans, retail loans.*

Changes in grades depend on a number of quantitative and qualitative indicators such as: financial covenants, quality of financial information, competitive position in the market, influence of suppliers / buyers, influence of the owner, quality of management, risk of adverse events, etc.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. RISK MANAGEMENT POLICIES (continued)**Individually assessed loans to customers**

The Bank measures expected credit losses on an individual basis or on a collective basis for portfolios of loans that share similar credit risk characteristics.

Exposures are considered individually significant when the total exposure to a borrower or a group of related borrowers exceeds 1% of the Bank's Tier 1 capital. Such exposures are assessed individually where there are indicators of a significant increase in credit risk or objective evidence of credit impairment.

For defaulted borrowers or groups of related borrowers, the threshold for individual assessment is reduced to 0.5% of Tier 1 capital.

Individually significant exposures without indicators of significant increase in credit risk are generally assessed on a collective basis, unless specific circumstances require individual assessment.

Expected credit losses for individually assessed loans are measured as the present value of the difference between the contractual cash flows due to the Bank and the cash flows that the Bank expects to receive, incorporating multiple forward-looking economic scenarios and discounted at the asset's effective interest rate.

For Stage 1 and Stage 2 individually assessed loans, expected cash flows are estimated based on all relevant information, including the borrower's financial condition, sources of revenue, historical financial performance, industry and market data, and, where applicable, net proceeds from collateral enforcement or sale. For Stage 3 loans, where recovery is expected predominantly through collateral realisation, expected cash flows are derived principally from estimated collateral values. Collateral valuations incorporate probability-weighted forward-looking economic scenarios and are discounted using the loan's effective interest rate.

The Bank generally estimates the liquidation value of collateral assuming a recovery period of approximately 2.5 years and applying estimated realisation costs of 10% of the collateral value. For ECL purposes, the liquidation value is typically determined at no less than 20% below the assessed market value of the collateral. These assumptions are derived from historical statistical data on collateral enforcement and sales. However, they may be adjusted on an individual basis where specific circumstances indicate that the standard recovery period or valuation haircut would not be appropriate.

Collectively assessed loans to customers*Segmentation*

Loans subject to collective assessment are grouped based on shared credit risk characteristics. The collectively assessed portfolio is segmented

- By sector (trade, construction and real estate management, other business sectors);
- By product (collateralised retail and non-collateralised retail), and
- By currency (GEL and foreign currency).

Construction and real estate management exposures, as well as non-collateralised retail exposures, are not further segmented by currency. In total, the portfolio is divided into eight homogeneous segments.

Each segment is further stratified into five pools based on similar credit risk features, including overdue days, restructuring status and, where relevant, internal credit rating, debt service coverage ratio (DSCR), payment-to-income (PTI) ratio and other risk indicators.

As a result, the collectively assessed portfolio comprises 40 pools with homogeneous credit risk characteristics.

PD model

To determine the PD rates for each segment subject to collective assessment, the Bank applies a migration matrix methodology, which uses statistical analysis of historical data and experience of delinquencies and defaults to estimate the amount of the loans that are expected to default as a result of the events occurring before the reporting date. The observation period for homogenous groups is 3 years, from November 2022 to November 2025. During the observation period, the monthly matrices were generated for each period and subsequently averaged to derive a through the cycle migration matrix.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. RISK MANAGEMENT POLICIES (continued)**Collectively assessed loans to customers (continued)***PD model (continued)*

The final migrations matrices are used to calculate 12-months PD for each pool. Based on that, marginal PDs are calculated for subsequent years up to the maturity of loan portfolio. For modelling purposes, default is determined as loans classified in stage 3, including loans that are 90 days overdue, restructured in stage 3 and with status “problematic”. To estimate Point in Time PDs the Bank incorporates the forward-looking information under different macro scenarios, where such information demonstrates sufficient explanatory power.

As at December 31, 2025, 10% increase/ (decrease) in average PD per each pool results in ECL increase/(decrease) by 2.0%/-2.5% that represents GEL 351/(442) thousand.

LGD model

Another component of impairment model is LGD (loss given default), which represents an estimate of the loss arising in event of default. LGD is determined by reducing outstanding exposures within each segment by deposits pledged and the discounted liquidation value of real estate collateral. The liquidation value is estimated assuming 2.5 years of time to collect period, realization cost of 10% and a minimum 20% haircut to market value of collateral. LGDs are calculated at segment level rather than on individual basis.

As at December 31, 2025, 10% increase/ (decrease) in realization expenses results in ECL increase/(decrease) by 0.8%/-1.1% that represents GEL 144/(197) thousand.

As at December 31, 2025, 10% increase/ (decrease) in time to collect period results in ECL increase/(decrease) by 2.3%/-2.6% that represents GEL 389/(442) thousand.

EAD model

EAD represents the expected exposure in the event of default. The Bank determines the EAD based on the current exposure to the borrowers, adjusted for expected changes in exposure prior to default. For Stage 1 and Stage 2 loans, EAD incorporates a scaling factor to reflect potential increases in exposure in the event of migration to Stage 3 (default). As at the reporting date, the applied adjustment factors are 1.007 for Stage 1 loans and 1.011 for Stage 2 loans.

Calculation of ECL

When the marginal PDs and LGDs are determined for each segment, final calculations of loan loss allowance is made. The result depends on risk characteristics of borrowers: 12 months' ECL is calculated for Stage 1 borrowers (overdue less than 31 days) and lifetime ECL for stage 2 or 3 borrowers. The results of the calculation derive the impairment rates for each of 40 collectively assessed pools of loans. These rates are used in determining loan loss allowance until the next model recalibration.

The impairment model was last recalibrated in December 2025 using the most recent available data.

Incorporation of forward-looking information

The Bank uses forward-looking information in its measurement of ECL. This includes macroeconomic scenarios based on forecasts for next 3 years published by the NBG. Three economic scenarios (baseline, pessimistic, optimistic) are used to adjust prices of real estate collateral, cash flow of borrowers and marginal probabilities of default. The base case scenario represents the most likely outcome and is assigned a weighting of 50%, while the pessimistic and optimistic scenarios are each assigned a weighting of 25%.

For individually assessed loans, forward-looking economic scenarios incorporate forecasts of two macroeconomic indicators, specifically the GEL/USD exchange rate and real estate prices for 2026-2028 years.

For collectively assessed portfolio, the Bank estimated the impact of a series of key macroeconomic variables, including GDP real growth rate, annual inflation rate, NBG monetary policy rate, GEL/USD exchange rate, NEER, real estate prices, unemployment rate, Georgia's sovereign risk premium on segment-level probabilities of default using regression analysis. However, based on statistical testing of the past 10 years of historical data, none of these macro indicators demonstrated statistically significant correlation with probabilities of default of the Bank's portfolio. Accordingly, the impact of macroeconomic scenarios is not incorporated into calculation of ECL for collectively assessed loans.

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Incorporation of forward-looking information (continued)**

The Bank performs sensitivity analysis to assess how ECL for the loan portfolios would change if the key assumptions used to calculate ECL change. The table below outlines the impact on ECL for individually assessed loans resulting from a 10% change in each key assumption, applied in isolation for illustrative purposes.

	Change	Impact on ECL (GEL thousand)
Exchange rate	10%	(35)
	-10%	69
Real Estate Prices	10%	(2,183)
	-10%	3,872

Credit quality of loans to customers

The following tables provide information on the credit quality of loans to customers as at December 31, 2025 according to the internal credit risk grades:

Gross loans to customers	Stage 1	Stage 2	Stage 3	Total 2025
Corporate loans				
5	2,023	-	-	2,023
5-	61,614	-	-	61,614
6+	149,863	-	-	149,863
6	46,390	3,826	-	50,216
6-	35,937	6,317	-	42,254
7-	-	-	2,661	2,661
7+	2,306	-	5,076	7,382
9	-	-	1,974	1,974
10	-	-	5,021	5,021
Not rated	5,409	-	-	5,409
Total corporate loans	303,542	10,143	14,732	328,417
5	1,517	-	-	1,517
5-	12,994	-	-	12,994
6+	46,587	561	115	47,263
6	173,285	4,123	-	177,408
6-	98,909	13,173	127	112,209
7-	263	-	8,904	9,167
7+	-	10,398	655	11,053
7	-	6,572	3,031	9,603
8	-	-	11,314	11,314
9	-	-	380	380
10	-	-	19,063	19,063
Not rated	26,169	283	1,723	28,175
Total SME loans	359,724	35,110	45,312	440,146
Retail loans				-
Not rated	201,613	9,834	22,156	233,603
Total retail loans	201,613	9,834	22,156	233,603
Total loans to customers	864,879	55,087	82,200	1,002,166

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Credit quality of loans to customers (continued)**

The following tables provide information on the credit quality of loans to customers as at December 31, 2024 according to the internal credit risk grades:

<i>(in thousands of Georgian Lari)</i>	Stage 1	Stage 2	Stage 3	Total 2024
Corporate loans				
5	4,734	–	–	4,734
5-	42,761	–	–	42,761
6+	89,130	–	–	89,130
6	18,896	13,530	3,292	35,718
6-	17,463	–	4,604	22,067
7+	–	6,480	4,340	10,820
7	–	3,554	–	3,554
8	–	–	1,950	1,950
10	–	–	6,092	6,092
Not rated	3	–	–	3
Total corporate loans	172,987	23,564	20,278	216,829
5	3,513	–	–	3,513
5-	6,935	297	–	7,232
6+	37,188	325	–	37,513
6	144,469	786	3,455	148,710
6-	76,172	11,877	–	88,049
7+	4,010	1,094	9,130	14,234
7	–	1,960	–	1,960
7-	533	1,489	2,537	4,559
8	–	–	6,291	6,291
9	–	348	1,016	1,364
10	–	156	15,125	15,281
Not rated	32,021	969	1,962	34,952
Total SME loans	304,841	19,301	39,516	363,658
Retail loans				
Not rated	163,780	6,457	22,804	193,041
Total retail loans	163,780	6,457	22,804	193,041
Total loans to customers	641,608	49,322	82,598	773,528

The following tables provide information on the credit quality of retail loans to customers as at December 31, 2025 according to overdue day buckets:

<i>(in thousands of Georgian Lari)</i>	Stage 1	Stage 2	Stage 3	Total 2025
Not past due	197,424	5,214	5,566	208,204
Overdue:				
up to 30 days	4,189	2,597	2,663	9,449
31 to 60 days	–	1,140	681	1,821
61 to 90 days	–	882	129	1,011
91 to 180 days	–	–	1,502	1,502
over 180 days	–	–	11,615	11,615
Total retail Loans	201,613	9,833	22,156	233,602
ECL	(1,234)	(527)	(4,697)	(6,458)
Net retail Loans	200,379	9,306	17,459	227,144

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Credit quality of loans to customers (continued)**

The following tables provide information on the credit quality of retail loans to customers as at December 31, 2024 according to the overdue day buckets:

<i>(in thousands of Georgian Lari)</i>	Stage 1	Stage 2	Stage 3	Total 2024
Not past due	158,846	3,543	5,473	167,862
Overdue:				
up to 30 days	4,934	1,003	1,055	6,992
31 to 60 days	–	1,751	1,533	3,284
61 to 90 days	–	160	1,209	1,369
91 to 180 days	–	–	3,592	3,592
over 180 days	–	–	9,942	9,942
Total retail Loans	163,780	6,457	22,804	193,041
ECL	(1,234)	(527)	(4,697)	(6,458)
Net retail Loans	162,546	5,930	18,107	186,583

According to the Bank's methodology, corporate and SME loans above include loans to individual entrepreneurs as well as legal entities. The Bank does not apply internal credit risks to retail loans that include loans to individuals.

Renegotiated loans to customers

Loans to customers are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case, renegotiation can result in an extension of the due date of payment or repayment plans under which the Bank offers a concessionary rate of interest to genuinely distressed borrowers.

During the 2025 period financial assets with gross carrying amount GEL 22,641 thousand were modified (2024: GEL 30,465 thousand), but none of them has changed loss allowance to 12mECL measurement during the corresponding periods.

Stage movements in loans to customers

Movements in the gross carrying value and expected credit loss of the loans to customers for the year ended December 31, 2025 are as follows:

<i>(in thousands of Georgian Lari)</i>	2025			Total
	Stage 1	Stage 2	Stage 3	
	12 months' ECL	Lifetime ECL - not credit- impaired	Lifetime ECL- credit-impaired	
Gross carrying amount as at January 1, 2025	641,608	49,323	82,598	773,528
Changes in the gross carrying amount:				
New loans originated	518,942	–	–	518,942
–Transfer from stage 2 to stage 1	7,462	(7,462)	–	–
–Transfer from stage 1 to stage 2	(23,534)	23,534	–	–
–Transfer from stage 2 to stage 3	–	(6,828)	6,828	–
–Transfer from stage 3 to stage 2	–	4,327	(4,327)	–
Loans repaid	(280,646)	(8,586)	(3,391)	(292,623)
Write off	–	–	(42)	(42)
Changes due to modifications that did not result in derecognition	222	228	129	579
Foreign exchange differences	824	551	406	1,782
Gross carrying amount as at December 31, 2025	864,878	55,087	82,201	1,002,166

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. RISK MANAGEMENT POLICIES (continued)

Stage movements in loans to customers (continued)

	2025			Total
	Stage 1	Stage 2	Stage 3	
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
<i>(in thousands of Georgian Lari)</i>				
Loss allowance as at 1 January 2025	3,119	2,208	12,066	17,393
Changes in the loss allowance:				
New loans originated	6,039	-	-	6,039
-Transfer from stage 2 to stage 1	398	(398)	-	-
-Transfer from stage 1 to stage 2	(234)	234	-	-
-Transfer from stage 2 to stage 3	-	(224)	224	-
-Transfer from stage 3 to stage 2	-	613	(613)	-
Increases due to change in credit risk	-	457	630	1,087
Changes due to modifications that did not result in derecognition	-	(224)	(389)	(613)
Loans repaid	(831)	(1,105)	(2,308)	(4,244)
Write off	-	-	(42)	(42)
Changes in risk parameters	(5,680)	(281)	3,093	(2,868)
Interest income correction	-	-	407	407
Foreign exchange differences	1	3	10	14
Loss allowance as at December 31, 2025	2,812	1,283	13,078	17,173

Loans to legal entities, Gross	Stage 1	Stage 2	Stage 3	Total
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Gross carrying amount as at January 1, 2025	355,152	29,672	47,919	432,742
Changes in the gross carrying amount:				
New loans originated	348,861	-	-	348,861
-Transfer from stage 2 to stage 1	4,147	(4,147)	-	-
-Transfer from stage 1 to stage 2	(8,326)	8,326	-	-
-Transfer from stage 2 to stage 3	-	(786)	786	-
-Transfer from stage 3 to stage 2	-	1,065	(1,065)	-
Loans repaid	(178,080)	(5,167)	(8,160)	(191,407)
Changes due to modifications that did not result in derecognition	230	206	8	444
Foreign exchange differences	649	650	496	1,795
Gross carrying amount as at December 31, 2025	522,633	29,819	39,983	592,435

Loans to legal entities ECL	Stage 1	Stage 2	Stage 3	Total
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Loss allowance as at 1 January 2025	1,385	1,273	5,973	8,631
Changes in the loss allowance:				
New loans originated	2,374	-	-	2,374
-Transfer from stage 2 to stage 1	95	(95)	-	-
-Transfer from stage 1 to stage 2	(75)	75	-	-
-Transfer from stage 2 to stage 3	-	(44)	44	-
-Transfer from stage 3 to stage 2	-	93	(93)	-
Increases due to change in credit risk	-	1	104	105
Changes due to modifications that did not result in derecognition	-	(23)	(91)	(114)
Loans repaid	(445)	(712)	(1,525)	(2,682)
Changes in risk parameters	(1,843)	(319)	888	(1,274)
Interest income correction	-	-	150	150
Foreign exchange differences	-	3	(18)	(15)
Loss allowance as at December 31, 2025	1,491	252	5,432	7,175

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Stage movements in loans to customers (continued)**

Consumer loans, Gross	Stage 1	Stage 2	Stage 3	Total
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Gross carrying amount as at January 1, 2025	176,786	15,003	20,623	212,412
Changes in the gross carrying amount:				
New loans originated	112,909	-	-	112,909
-Transfer from stage 2 to stage 1	2,201	(2,201)	-	-
-Transfer from stage 1 to stage 2	(8,800)	8,800	-	-
-Transfer from stage 2 to stage 3	-	(2,116)	2,116	-
-Transfer from stage 3 to stage 2	-	1,713	(1,713)	-
Loans repaid	(76,473)	(3,173)	7,570	(72,076)
Write off	-	-	(42)	(42)
Changes due to modifications that did not result in derecognition	(96)	18	114	36
Foreign exchange differences	687	(140)	(115)	432
Gross carrying amount as at December 31, 2025	207,214	17,904	28,553	253,671

Consumer loans, ECL	Stage 1	Stage 2	Stage 3	Total
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Loss allowance as at 1 January 2025	1,150	656	4,557	6,362
Changes in the loss allowance:				
New loans originated	3,196	-	-	3,196
-Transfer from stage 2 to stage 1	219	(219)	-	-
-Transfer from stage 1 to stage 2	(100)	100	-	-
-Transfer from stage 2 to stage 3	-	(68)	68	-
-Transfer from stage 3 to stage 2	-	298	(298)	-
Increases due to change in credit risk	-	214	354	568
Changes due to modifications that did not result in derecognition	-	(126)	(181)	(307)
Loans repaid	(282)	(394)	(592)	(1,268)
Write off	-	-	(42)	(42)
Changes in risk parameters	(3,303)	87	2,367	(849)
Interest income correction	-	-	197	197
Foreign exchange differences	1	(2)	24	23
Loss allowance as at December 31, 2025	881	546	6,454	7,881

Mortgage loans, Gross	Stage 1	Stage 2	Stage 3	Total
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Gross carrying amount as at January 1, 2025	109,669	4,648	14,056	128,374
Changes in the gross carrying amount:				
New loans originated	57,173	-	-	57,173
-Transfer from stage 2 to stage 1	1,114	(1,114)	-	-
-Transfer from stage 1 to stage 2	(6,407)	6,407	-	-
-Transfer from stage 2 to stage 3	-	(3,926)	3,926	-
-Transfer from stage 3 to stage 2	-	1,549	(1,549)	-
-Loans repaid	(26,093)	(246)	(2,801)	(29,140)
Changes due to modifications that did not result in derecognition	88	4	7	99
Foreign exchange differences	(513)	42	25	(446)
Gross carrying amount as at December 31, 2025	135,031	7,364	13,665	156,060

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Stage movements in loans to customers (continued)**

Mortgage loans, ECL	Stage 1	Stage 2	Stage 3	Total
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Loss allowance as at 1 January 2025	584	280	1,536	2,400
Changes in the loss allowance:				
New loans originated	468	-	-	468
-Transfer from stage 2 to stage 1	83	(83)	-	-
-Transfer from stage 1 to stage 2	(58)	58	-	-
-Transfer from stage 2 to stage 3	-	(112)	112	-
-Transfer from stage 3 to stage 2	-	222	(222)	-
Increases due to change in credit risk	-	242	172	414
Changes due to modifications that did not result in derecognition	-	(75)	(117)	(192)
Loans repaid	(103)	-	(191)	(294)
Changes in risk parameters	(534)	(50)	(161)	(745)
Interest income correction	-	-	60	60
Foreign exchange differences	(1)	3	4	6
Loss allowance as at December 31, 2025	439	485	1,193	2,117

Movements in the gross carrying value and expected credit loss of the loans to customers for the year ended December 31, 2024 are as follows:

	2024			Total
	Stage 1	Stage 2	Stage 3	
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
<i>(in thousands of Georgian Lari)</i>				
Gross carrying amount as at January 1, 2024	597,710	56,536	69,508	723,753
Changes in the gross carrying amount:				
New loans originated	399,511	-	-	399,511
-Transfer from stage 2 to stage 1	9,176	(9,176)	-	-
-Transfer from stage 1 to stage 2	(11,323)	11,323	-	-
-Transfer from stage 2 to stage 3	-	(21,050)	21,050	-
-Transfer from stage 3 to stage 2	-	7,508	(7,508)	-
Loans repaid	(354,805)	3,685	(1,346)	(352,466)
Changes due to modifications that did not result in derecognition	(980)	41	98	(842)
Foreign exchange differences	2,319	457	795	3,571
Gross carrying amount as at December 31, 2024	641,608	49,323	82,598	773,528

	2024			Total
	Stage 1	Stage 2	Stage 3	
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
<i>(in thousands of Georgian Lari)</i>				
Loss allowance as at 1 January 2024	5,467	1,767	12,246	19,479
Changes in the loss allowance:				
New loans originated	5,333	-	-	5,333
-Transfer from stage 2 to stage 1	252	(252)	-	-
-Transfer from stage 1 to stage 2	(402)	402	-	-
-Transfer from stage 2 to stage 3	-	(1,208)	1,208	-
-Transfer from stage 3 to stage 2	-	655	(655)	-
Increases due to change in credit risk	-	221	577	797
Changes due to modifications that did not result in derecognition	-	(114)	(488)	(602)
Loans repaid	(2,121)	(288)	(1,708)	(4,117)
Changes in risk parameters	(5,415)	1,021	203	(4,191)
Interest income correction	-	-	611	611
Foreign exchange differences	5	6	73	83
Loss allowance as at December 31, 2024	3,119	2,208	12,066	17,393

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Stage movements in loans to customers (continued)**

Loans to legal entities, Gross	Stage 1	Stage 2	Stage 3	Total
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Gross carrying amount as at January 1, 2024	353,888	45,482	37,737	437,106
Changes in the gross carrying amount:				
New loans originated	245,076	-	-	245,076
-Transfer from stage 2 to stage 1	7,231	(7,231)	-	-
-Transfer from stage 1 to stage 2	(3,726)	3,726	-	-
-Transfer from stage 2 to stage 3	-	(13,470)	13,470	-
-Transfer from stage 3 to stage 2	-	4,620	(4,620)	-
Loans repaid	(247,426)	(3,913)	772	(250,567)
Changes due to modifications that did not result in derecognition	(404)	59	2	(342)
Foreign exchange differences	513	398	558	1,469
Gross carrying amount as at December 31, 2024	355,152	29,672	47,919	432,742

Loans to legal entities ECL	Stage 1	Stage 2	Stage 3	Total
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Loss allowance as at 1 January 2024	3,726	912	6,144	10,782
Changes in the loss allowance:				
New loans originated	2,592	-	-	2,592
-Transfer from stage 2 to stage 1	16	(16)	-	-
-Transfer from stage 1 to stage 2	(329)	329	-	-
-Transfer from stage 2 to stage 3	-	(826)	826	-
-Transfer from stage 3 to stage 2	-	173	(173)	-
Increases due to change in credit risk	-	53	116	168
Changes due to modifications that did not result in derecognition	-	(13)	(124)	(137)
Loans repaid	(1,656)	(19)	(962)	(2,636)
Changes in risk parameters	(2,964)	673	(154)	(2,445)
Interest income correction	-	-	240	240
Foreign exchange differences	-	6	60	66
Loss allowance as at December 31, 2024	1,385	1,273	5,973	8,631

Consumer loans, Gross	Stage 1	Stage 2	Stage 3	Total
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Gross carrying amount as at January 1, 2024	152,981	6,802	18,062	177,845
Changes in the gross carrying amount:				
New loans originated	105,011	-	-	105,011
-Transfer from stage 2 to stage 1	1,125	(1,125)	-	-
-Transfer from stage 1 to stage 2	(3,987)	3,987	-	-
-Transfer from stage 2 to stage 3	-	(4,272)	4,272	-
-Transfer from stage 3 to stage 2	-	1,386	(1,386)	-
Loans repaid	(78,817)	8,225	(569)	(71,162)
Changes due to modifications that did not result in derecognition	(375)	(9)	65	(319)
Foreign exchange differences	848	9	180	1,038
Gross carrying amount as at December 31, 2024	176,786	15,003	20,623	212,412

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Stage movements in loans to customers (continued)**

Consumer loans, ECL	Stage 1	Stage 2	Stage 3	Total
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Loss allowance as at 1 January 2024	1,075	484	4,348	5,907
Changes in the loss allowance:				
New loans originated	2,090	-	-	2,090
-Transfer from stage 2 to stage 1	166	(166)	-	-
-Transfer from stage 1 to stage 2	(44)	44	-	-
-Transfer from stage 2 to stage 3	-	(241)	241	-
-Transfer from stage 3 to stage 2	-	278	(278)	-
Increases due to change in credit risk	-	126	377	502
Changes due to modifications that did not result in derecognition	-	(77)	(214)	(292)
Loans repaid	(327)	(107)	(487)	(920)
Changes in risk parameters	(1,812)	315	280	(1,216)
Interest income correction	-	-	283	283
Foreign exchange differences	2	-	7	8
Loss allowance as at December 31, 2024	1,150	656	4,557	6,362

Mortgage loans, Gross	Stage 1	Stage 2	Stage 3	Total
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Gross carrying amount as at January 1, 2024	90,840	4,252	13,710	108,802
Changes in the gross carrying amount:				
New loans originated	49,425	-	-	49,425
-Transfer from stage 2 to stage 1	820	(820)	-	-
-Transfer from stage 1 to stage 2	(3,610)	3,610	-	-
-Transfer from stage 2 to stage 3	-	(3,309)	3,309	-
-Transfer from stage 3 to stage 2	-	1,501	(1,501)	-
-Loans repaid	(28,562)	(627)	(1,548)	(30,737)
Changes due to modifications that did not result in derecognition	(202)	(10)	31	(180)
Foreign exchange differences	957	51	56	1,064
Gross carrying amount as at December 31, 2024	109,669	4,648	14,056	128,374

Mortgage loans, ECL	Stage 1	Stage 2	Stage 3	Total
	12 months' ECL	Lifetime ECL - not credit-impaired	Lifetime ECL - credit-impaired	
Loss allowance as at 1 January 2024	666	371	1,754	2,791
Changes in the loss allowance:				
New loans originated	650	-	-	650
-Transfer from stage 2 to stage 1	71	(71)	-	-
-Transfer from stage 1 to stage 2	(29)	29	-	-
-Transfer from stage 2 to stage 3	-	(141)	141	-
-Transfer from stage 3 to stage 2	-	204	(204)	-
Increases due to change in credit risk	-	43	84	127
Changes due to modifications that did not result in derecognition	-	(24)	(150)	(174)
Loans repaid	(138)	(163)	(259)	(561)
Changes in risk parameters	(639)	33	76	(529)
Interest income correction	-	-	88	88
Foreign exchange differences	3	(0)	7	9
Loss allowance as at December 31, 2024	584	280	1,536	2,400

Maximum exposure to credit risk

The Bank's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off-balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral and any expected credit loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. RISK MANAGEMENT POLICIES (continued)

Maximum exposure to credit risk (continued)

December 31, 2025	Maximum Exposure	Cash	Property	Transport	Equipment	Other	Total collateral	Net exposure	% of exposure subject to collateral requirements	ECL
Cash and cash equivalents excluding cash on hand	43,886	-	-	-	-	-	-	43,886	0.00%	1
Mandatory cash balance with the NBG	14,809	-	-	-	-	-	-	14,809	0.00%	-
Due from financial institutions	866	-	-	-	-	-	-	866	0.00%	-
Loans to customers	1,002,166	10,229	439,955	311	1,183	525,780	977,458	24,708	97.53%	17,173
Corporate and SME loans	592,435	7,242	143,467	10	1,117	430,857	582,693	9,742	98.36%	7,175
Mortgage loans	156,060	-	147,343	54	-	6,906	154,303	1,757	98.87%	2,117
Consumer Loans	253,671	2,987	149,145	247	66	88,017	240,462	13,209	94.79%	7,881
Investments in equity instruments	54	-	-	-	-	-	-	54	0.00%	-
Investments in debt instruments	5,931	-	-	-	-	-	-	5,931	0.00%	6
Other financial assets	4,765	-	-	-	-	-	-	4,765	0.00%	185
Guarantees and letter of credits	23,758	350	8,920	110	-	8,690	18,070	5,688	76.06%	29

December 31, 2024	Maximum Exposure	Cash	Property	Transport	Equipment	Other	Total collateral	Net exposure	% of exposure subject to collateral requirements	ECL
Cash and cash equivalents excluding cash on hand	26,363	-	-	-	-	-	-	26,363	0.00%	1
Mandatory cash balance with the NBG	63,066	-	-	-	-	-	-	63,066	0.00%	1
Due from financial institutions	865	-	-	-	-	-	-	865	0.00%	-
Loans to customers	773,528	11,854	352,065	232	4,066	378,137	746,354	27,174	96.49%	17,393
Corporate and SME loans	432,742	7,783	111,012	147	4,028	297,340	420,310	12,432	97.13%	8,631
Mortgage loans	128,374	-	120,024	47	-	6,604	126,675	1,699	98.68%	2,400
Consumer Loans	212,412	4,071	121,029	38	38	74,193	199,369	13,043	93.86%	6,362
Investments in equity instruments	54	-	-	-	-	-	-	54	0.00%	-
Investments in debt instruments	12,141	-	-	-	-	-	-	12,141	0.00%	7
Other financial assets	6,365	-	-	-	-	-	-	6,365	0.00%	275
Guarantees and letter of credits	24,736	1,589	5,204	158	-	12,170	19,121	5,615	77.30%	112

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Maximum exposure to credit risk (continued)**

In the absence of collateral or other credit enhancements, ECL in respect of individually assessed Stage 3 loans to customers as of December 31, 2025 would have been higher by:

<i>(in thousands of Georgian Lari)</i>	2025	2024
Loans to legal entities	32,340	37,053
Consumer Loans	15,699	9,078
Mortgage Loans	4,700	3,968
Total ECL	52,739	50,099

Geographical concentration

The Assets and Liabilities Management Committee (“ALMC”) exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Bank’s activity. The Bank’s financial assets and financial liabilities as at December 31, 2025 and 2024 are concentrated in Georgia.

The geographical concentration of financial assets and financial liabilities is set out below:

<i>(in thousands of Georgian Lari)</i>	Georgia	Other non-OECD countries	OECD countries	December 31, 2025 Total
Financial assets				
Cash and cash equivalents	38,784	5,469	11,105	55,358
Mandatory cash balance with the NBG	14,809	–	–	14,809
Due from financial institutions	29	837	–	866
Loans to Customers	976,761	6,181	2,051	984,993
Investments in equity instruments	54	–	–	54
Investments in debt instruments	5,925	–	–	5,925
Other financial assets	4,580	–	–	4,580
Total financial assets	1,040,942	12,487	13,156	1,066,585
Financial liabilities				
Due to financial institutions	3	–	–	3
Due to the Parent	–	494,925	–	494,925
Deposits by customers	282,150	12,989	1,124	296,263
Lease Liability	3,686	–	–	3,686
Subordinated debt	–	–	27,021	27,021
Other financial liabilities	12,133	–	–	12,133
Total financial liabilities	297,972	507,914	28,145	834,031
Net position on financial instruments	742,970	(495,427)	(14,989)	232,554

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Geographical concentration (continued)**

<i>(in thousands of Georgian Lari)</i>	Georgia	Other non-OECD countries	OECD countries	December 31, 2024 Total
Financial assets				
Cash and cash equivalents	30,857	1,376	6,346	38,579
Mandatory cash balance with the NBG	63,065	-	-	63,065
Due from financial institutions	31	834	-	865
Loans to customers	749,554	5,997	584	756,135
Investments in equity instruments	54	-	-	54
Investments in debt instruments	12,134	-	-	12,134
Other financial assets	6,090	-	-	6,090
Total financial assets	861,785	8,207	6,930	876,922
Financial liabilities				
Due to financial institutions	4	-	-	4
Due to the Parent	-	381,294	-	381,294
Deposits by customers	215,573	16,495	2,765	234,833
Debt securities issued	-	5,050	-	5,050
Lease liability	2,184	-	-	2,184
Subordinated debt	-	28,142	-	28,142
Other financial liabilities	9,120	-	-	9,120
Total financial liabilities	226,881	430,981	2,765	660,627
Net position on financial instruments	634,904	(422,774)	4,165	216,295

Credit quality by class of financial assets

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, SP and Moody's.

The following tables cover credit quality of financial assets other than loans to customers for which the Bank assesses credit quality based on external credit ratings as at December 31, 2025 and 2024:

December 31, 2025	Stage	AAA-A	BBB	BB	B	Not rated	Total
Cash and cash equivalents	Stage 1	5,469	10,084	39,647	-	158	55,358
Mandatory cash balance with the NBG	Stage 1	-	-	14,809	-	-	14,809
Due from financial institutions	Stage 1	836	-	30	-	-	866
Investments in equity instruments	Stage 1	-	-	-	-	54	54
Investments in debt instruments	Stage 1	-	-	5,925	-	-	5,925
December 31, 2024		AAA-A	BBB	BB	B	Not rated	Total
Cash and cash equivalents	Stage 1	1,377	6,346	30,438	418	-	38,579
Mandatory cash balance with the NBG	Stage 1	-	-	63,065	-	-	63,065
Due from financial institutions	Stage 1	835	-	30	-	-	865
Investments in equity instruments	Stage 1	-	-	-	-	54	54
Investments in debt instruments	Stage 1	-	-	12,134	-	-	12,134

Financial assets other than loans to customers are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, Standard & Poor's and Moody's.

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Liquidity risk**

Liquidity risk is the risk that the Bank does not have sufficient liquid financial resources to meet obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Assets and Liabilities Management Committee (“ALMC”) oversees liquidity risk management. The ALMC monitors these risks through maturity gap analysis and determines the Bank’s strategy for the forthcoming financial period. Day-to-day liquidity is managed by the Treasury Department, which operates in money markets to ensure sufficient liquidity and optimise cash flows. To manage liquidity risk, the Bank performs daily monitoring of expected future cash flows arising from customer and banking operations as part of its asset and liability management process. The Management Board establishes limits on the minimum proportion of maturing funds available to meet deposit withdrawals, as well as on the minimum level of interbank and other borrowing facilities required to cover unexpected levels of demand. The Bank also monitors cumulative liquidity gaps, defined as the difference between assets and liabilities, relative to total assets. Where established limits are breached, the ALMC determines appropriate corrective measures. The tables below present the remaining contractual maturity analysis of financial liabilities, based on carrying value and presented at the earliest date on which the Bank can be required to repay the liability.

Financial assets	Weighted average EIR	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity Undefined	December 31, 2025 Total
Cash and cash equivalents	3.66%	26,747	-	-	-	-	-	26,747
Deposits by banks	0.013%	-	-	-	866	-	-	866
Mandatory cash balance with the NBG	3.41%	14,809	-	-	-	-	-	14,809
Investments held to maturity	9.38%	245	-	-	5,680	-	-	5,925
Loans to customers	9.96%	82,048	26,264	189,661	339,369	347,651	-	984,993
Total interest-bearing financial assets		123,849	26,264	189,661	345,915	347,651	-	1,033,340
Cash and cash equivalents		28,611	-	-	-	-	-	28,611
Investments available-for-sale		-	-	-	-	-	54	54
Other financial assets		4,580	-	-	-	-	-	4,580
Total non-interest-bearing financial assets		33,191	-	-	-	-	54	33,245
Total financial assets		157,040	26,264	189,661	345,915	347,651	54	1,066,585
Financial liabilities								
Due to the Parent	4.41%	-	-	1,655	493,270	-	-	494,925
Deposits by customers	6.28%	30,684	40,223	72,046	85,232	7,388	-	235,573
Lease liabilities	6.13%	79	160	697	2,270	480	-	3,686
Subordinated debt	4.42%	70	-	-	-	26,951	-	27,021
Total interest-bearing financial liabilities		30,833	40,383	74,398	580,772	34,819	-	761,205
Deposits by customers		58,793	-	-	-	1,897	-	60,690
Due to financial institutions		3	-	-	-	-	-	3
Other financial liabilities		12,133	-	-	-	-	-	12,133
Total non-interest-bearing financial liabilities		70,929	-	-	-	1,897	-	72,826
Total financial liabilities		101,762	40,383	74,398	580,772	36,716	-	834,031
Interest sensitivity gap		93,012	(14,119)	115,264	(234,857)	312,832	-	
Cumulative interest sensitivity gap		93,012	78,893	194,157	(40,700)	272,132	272,132	
Liquidity gap		55,277	(14,119)	115,264	(234,857)	310,935	54	
Cumulative liquidity gap		55,277	41,158	156,422	(78,435)	232,500	232,554	

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Liquidity risk (continued)**

Financial assets	Weighted average EIR	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity Undefined	December 31, 2024 Total
Cash and cash equivalents	2.7%	18,108	-	-	-	-	-	18,108
Deposits by banks	0.0013%	-	-	-	834	-	-	834
Mandatory cash balance with the NBG	3.41%	63,065	-	-	-	-	-	63,065
Investments held to maturity	10.45%	244	6,209	-	5,681	-	-	12,134
Loans to customers	9.58%	42,539	16,944	146,395	268,596	281,660	-	756,134
Total interest-bearing financial assets		123,956	23,153	146,395	275,111	281,660	-	850,275
Cash and cash equivalents		20,471	-	-	-	-	-	20,471
Deposits by banks		-	-	-	31	-	-	31
Investments available-for-sale		-	-	-	-	-	54	54
Other financial assets		5,444	230	416	-	-	-	6,090
Total non-interest-bearing financial assets		25,915	230	416	31	-	54	26,646
Total financial assets		149,871	23,383	146,811	275,142	281,660	54	876,921
Financial liabilities								
Due to the Parent	5.18%	-	14,152	-	367,142	-	-	381,294
Deposits by customers	4.46%	39,701	29,653	50,311	63,635	1,425	-	184,725
Own debt securities	4%	-	-	5,050	-	-	-	5,050
Lease liabilities	6.23%	69	124	514	1,477	-	-	2,184
Subordinated debt	4.50%	74	-	-	28,068	-	-	28,142
Total interest-bearing financial liabilities		39,844	43,929	55,875	460,322	1,425	-	601,395
Deposits by customers		43,466	1	4,257	1,121	1,263	-	50,108
Due to financial institutions		4	-	-	-	-	-	4
Other financial liabilities		9,042	78	-	-	-	-	9,120
Total non-interest-bearing financial liabilities		52,512	79	4,257	1,121	1,263	-	59,232
Total financial liabilities		92,356	44,008	60,132	461,443	2,688	-	660,627
Interest sensitivity gap		84,108	(20,776)	90,520	(185,211)	280,235	-	
Cumulative interest sensitivity gap		84,108	63,332	153,852	(31,359)	248,876	248,876	
Liquidity gap		57,515	(20,625)	86,679	(186,301)	278,972	54	
Cumulative liquidity gap		57,515	36,890	123,569	(62,732)	216,240	216,294	

On demand deposits from customers are included in “up to 1 month” maturity gap in the table above. Based on the Bank’s historical performance the customers on average are maintaining half of them in the Bank throughout the year.

The following tables detail the Bank’s remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Bank can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Bank may be required to pay.

NOTES TO THE FINANCIAL STATEMENTS (continued)

28. RISK MANAGEMENT POLICIES (continued)

Liquidity risk (continued)

Demand deposits by customers are included in the up to 1 month liquidity category, as contractually any amount at reporting date can be withdrawn upon the customer's demand. The main deposit holders of the Bank are borrowers which under the loan agreements are required to have an operational accounts and maintain certain turnover ratios through the Bank.

<i>(in thousands of Georgian Lari)</i>	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	December 31, 2025 Total
<i>Fixed interest rate instruments</i>							
Due to the Parent	4.41%	-	-	15,868	575,169	-	591,037
Deposits by customers	6.28%	116,480	42,182	80,684	88,547	29,558	357,451
Lease liabilities	6.23%	98	194	838	2,652	540	4,322
Subordinated debt	4.42%	101	193	898	3,581	31,273	36,046
Total fixed interest-bearing financial liabilities		116,679	42,569	98,288	669,949	61,371	988,856
<i>Non-interest bearing instruments</i>							
Due to financial institutions		4	-	-	-	-	4
Deposits by customers		58,793	-	-	-	1,897	60,690
Other financial liabilities		12,133	-	-	-	-	12,133
Total non-interest-bearing financial liabilities		70,930	-	-	-	1,897	72,827
Total financial liabilities		187,609	42,569	98,288	669,949	63,268	1,061,683
Contingent liabilities and credit commitments		71,544	-	-	-	-	71,544
Total financial liabilities including guarantees and credit line commitments		259,153	42,569	98,288	669,949	63,268	1,133,227

<i>(in thousands of Georgian Lari)</i>	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	December 31, 2024 Total
<i>Fixed interest rate instruments</i>							
Due to the Parent	5.18%	-	14,241	-	406,390	-	420,631
Deposits by customers	4.46%	43,820	30,925	55,395	71,248	3,151	204,539
Own debt securities	4%	-	-	5,153	-	-	5,153
Lease liabilities	6.23%	79	141	582	1,582	-	2,384
Subordinated debt	4.50%	108	204	104	30,120	-	30,536
Total fixed interest bearing financial liabilities		44,007	45,511	61,234	509,340	3,151	663,243
<i>Non-interest-bearing instruments</i>							
Due to financial institutions		4	-	-	-	-	4
Deposits by customers		43,466	1	4,257	1,121	1,263	50,108
Other financial liabilities		9,042	78	-	-	-	9,120
Total non-interest-bearing financial liabilities		52,512	79	4,257	1,121	1,263	59,232
Total financial liabilities		96,519	45,590	65,491	510,461	4,414	722,475
Contingent liabilities and credit commitments		71,291	-	-	-	-	71,291
Total financial liabilities including guarantees and credit line commitments		167,810	45,590	65,491	510,461	4,414	793,766

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Market risk**

Market risk is the risk that the Bank's earnings or capital or its ability to meet business objectives will be adversely affected by changes in the level or volatility of market rates or prices. Market risk includes interest rate risk, currency risk, and credit spread risk. There have been no changes during the reporting period in the Bank's exposure to market risk or in the way such risks are managed and measured.

The ALMC manages market risks, including interest risk, through monitoring of repricing gaps and alignment of interest rate exposures. Management performs periodic sensitivity analyses to assess the potential impact of changes in interest rates on earnings and capital.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will result in fluctuations in the fair value or future cash flows of a financial instrument. The following table demonstrates the sensitivity to a possible change in interest rates of the Bank's statement of profit or loss.

The simplified scenario of a 100-basis point symmetrical increase or decrease in all yield curves and positions of floating interest-bearing financial assets and financial liabilities outstanding as at 31 December 2025 and 2024 have the following impact:

Currency	Increase/(decrease) in basis points 2025	Sensitivity of net interest income 2025
GEL	100/(100)	(149)/149

Currency	Increase/(decrease) in basis points 2024	Sensitivity of net interest income 2024
GEL	100/(100)	1,718/(1,718)

Currency risk

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

The ALMC controls currency risk by management of the open currency position, which gives the Bank an opportunity to minimize losses from national currency fluctuations towards its foreign currency. The Treasury Department performs daily monitoring of the Bank's open currency position with the aim to match the requirements of the NBG.

NOTES TO THE FINANCIAL STATEMENTS (continued)**28. RISK MANAGEMENT POLICIES (continued)****Currency risk sensitivity**

The following table details the Bank's sensitivity to a 25% increase and decrease in the USD/EUR against the GEL. 25% 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 25% change in foreign currency rates.

Impact on net profit and equity based on asset values as at December 31, 2025 and 2024:

	As at December 31, 2025		As at December 31, 2024	
	GEL/USD 25%	GEL/USD (25%)	GEL/USD 25%	GEL/USD (25%)
Impact on profit or loss	333	(333)	(111)	111
Impact on equity	267	(267)	(89)	89

	As at December 31, 2025		As at December 31, 2024	
	GEL/EUR 25%	GEL/EUR (25%)	GEL/EUR 25%	GEL/EUR (25%)
Impact on profit or loss	(15)	15	10,187	(10,187)
Impact on equity	(12)	12	8,149	(8,149)

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 analysis does 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 actions. 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 in the 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 analysis 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.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

NOTES TO THE FINANCIAL STATEMENTS (continued)**29. TRANSACTIONS WITH RELATED PARTIES**

Details of transactions between the Bank and its related parties recognized in the statement of financial position are disclosed below:

	December 31, 2025				December 31, 2024			
	Maximum maturity Year	Nominal /Weighted average effective rate 2025	Related party balances	Total category as per the financial statements caption	Maximum maturity Year	Nominal /Weighted average effective rate 2024	Related party balances	Total category as per the financial statements caption
<i>(in thousands of Georgian Lari)</i>								
Cash and cash equivalents			10,084	55,358			6,346	38,579
- the Parent			10,084	-			6,346	-
- other related parties			-	-			-	-
Gross loans to customers			733	1,002,166			674	756,135
- key management personnel of the Bank	2041	9.81%	220	-	2041	9.07%	206	-
- other related parties	2045	8.64%	513	-	2040	11.48%	468	-
Allowance for expected credit losses/impairment losses on loans to customers			(3)	(17,173)			(4)	(17,393)
- key management personnel of the Bank			(1)	-			(2)	-
- other related parties			(2)	-			(3)	-
Other assets								
- the Parent			-	-			-	-
Due to the Parent			494,925	494,925			381,294	381,294
- the Parent	2030	4.41%	494,925	-	2028	5.14%	381,294	-
			-	-			-	-
Deposits by customers			1,936	296,263			1,292	234,833
- key management personnel of the Bank	2026	1.69%	267	-	2025	0.94%	131	-
- other related parties	2026	0.89%	1,669	-	2025	0.16%	1,161	-
Subordinated debt			27,021	27,021			28,142	28,142
- the Parent	2033	4.42%	27,021	-	2028	4.50%	28,142	-

As at December, 31 2025 and 2024 Balances due to the Parent are unsecured and repayable in accordance with contractual terms. The Bank also has subordinated debt from the Parent, which is unsecured and contractually subordinated to all senior liabilities in the event of liquidation.

NOTES TO THE FINANCIAL STATEMENTS (continued)**29. TRANSACTIONS WITH RELATED PARTIES (continued)**

The total liabilities to the Parent as at December 31, 2025 comprise GEL 521,946 thousand or 62.5% of total liabilities (December 31, 2024: GEL 409,437 thousand or 61.9% of total liabilities) and constitute a significant concentration.

The Parent, JSC Halyk Bank Kazakhstan, has demonstrated its commitment to continue financing the Bank's operations. This commitment is evidenced by funding provided to the Bank during 2025, as well as by a support letter dated 3 February 2026, in which the Parent expressed its readiness to support the Bank's operations.

The remuneration of directors and other members of key management are as follows:

	2025		2024	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
<i>(in thousands of Georgian Lari)</i>				
Key management personnel compensation:				
- Salaries and other short-term benefits	1,652	17,539	1,615	15,626
Total	1,652	17,539	1,615	15,626

The following amounts recognised in the statement of profit or loss and other comprehensive income for the year ended December 31, 2025 and 2024 relate to transactions with related parties:

	2025		2024	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
<i>(in thousands of Georgian Lari)</i>				
Interest income calculated using the effective interest rate	73	91,685	68	76,324
- key management personnel of the entity or its parent	18	-	20	-
-Other related parties	-	-	-	-
	55	-	48	-
Interest expense	(24,578)	(40,182)	(21,293)	(33,618)
- the Parent	(24,569)	-	(21,250)	-
- key management personnel of the Bank	(2)	-	(1)	-
- other related parties	-	-	-	-
	(7)	-	(42)	-
Fee and commission expense	(61)	(2,826)	(33)	(1,175)
- the Parent	(61)	-	(33)	-
Net (loss)/gain on foreign exchange operations	150	3,198	(90)	3,164
- the parent	150	-	(90)	-
Operating expenses	(1,680)	(28,433)	(1,661)	(25,437)
-key management personnel of the entity or its parent	(1,680)	-	(1,661)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)**30. CAPITAL ADEQUACY**

The Bank's capital is structured to ensure that it remains sufficient to cover the risks arising from its operations and to comply with applicable regulatory requirements. Capital adequacy is assessed using the methodologies and regulatory capital ratios prescribed by the National Bank of Georgia (NBG) for supervisor purposes.

The Bank's primary objectives in managing its capital are to maintain compliance with the minimum capital requirements established by the NBG and to support its ability to continue as a going concern. Compliance with the regulatory capital adequacy ratios is monitored on a monthly basis, and the relevant regulatory reports are submitted to the NBG in accordance with established reporting requirements.

The Bank is required to maintain minimum capital requirements in accordance with the Regulation on Capital Adequacy Requirements for Commercial Banks, which is aligned with the framework established by the Basel Committee on Banking Supervision.

As of 31 December 2025, the Bank was in full compliance with all applicable regulatory capital requirements, including fully loaded capital buffers. The Bank maintained capital ratios comfortably above the minimum thresholds throughout the reporting period.

The NBG requires the Bank to maintain a minimum total capital adequacy ratio of 23.56%, Tier 1 Capital ratio of 19.38% and Core Tier 1 Capital ratio of 16.22% of risk-weighted assets, computed based on Basel III requirements. As at December 31, 2025 and 2024 the Bank's capital adequacy ratio on this basis, as reported to NBG, was as follow:

<i>(in thousands of Georgian Lari)</i>	December 31, 2025	December 31, 2024
Share capital	76,000	76,000
Retained earnings	113,063	96,993
Less: intangible assets, net	(6,306)	(5,879)
Current period profit	22,228	20,501
Core tier 1 capital	204,985	187,615
Additional Tier 1 Capital	60,000	60,000
Tier 1 Capital	264,985	247,615
Tier 2 capital	27,021	16,885
Total regulatory capital	292,006	264,500
Risk weighted assets	1,118,696	938,717
Core Tier 1 Capital Adequacy Ratio (unaudited)	18.32%	19.99%
Tier 1 Capital Adequacy Ratio (unaudited)	23.69%	26.38%
Total regulatory capital adequacy Ratio (unaudited)	26.10%	28.18%