



CARTU BANK JSC

Pillar 3 Annual Report

(As of 31st December 2025)

2026 Year

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1. Overview

Pillar 3 annual report is a document that is based on the requirements of the Basel Committee on Banking Supervision, on EU 575/2013 directives (EU regulation N575/2013) and on the Regulation by National Bank of Georgia on Disclosure requirements for commercial banks within Pillar 3.

The document discloses information on the banks capital in relations with the existing requirements, on risk management policies, strategies and corporate governance model.

Pillar 3 annual report is published annually. The document is available on the web-sites of the commercial and central banks, in Georgian, as well as English languages.

2. Management Announcement

The management board of the bank hereby confirms the trustworthiness of all the figures and information provided in given Pillar 3 report. The report is prepared in accordance with internal control systems and procedures approved by the Supervisory Board. The given report satisfies requirements set by the June, 2017 Order #92/04 by the President of the National Bank of Georgia about the Disclosure requirements for commercial banks within Pillar 3 and other directives and norms of the National Bank of Georgia. According to the regulation Pillar 3 Annual Report is not required to be audited by an external auditor.

3. Key Metrics

The table of Key Metrics presents information about regulatory requirements of the capital and liquidity. Additional information is given in respective paragraphs.

3.1: Capital Adequacy Ratio

In 1,000 GEL	31.12.2025	31.12.2024
Common Equity Tier 1 Capital	444,638	412,587
Additional Tier 1 Capital	72,768	75,784
Tier 2 Capital	9,163	16,279
Total Regulatory Capital	526,569	504,650
Risk Weighted Assets (RWA)	1,894,965	1,914,280
<u>Current Ratios</u>		
Common Equity Tier 1 Ratio	23.46%	21.55%
Tier 1 Capital Ratio	27.30%	25.51%
Total Regulatory Capital Ratio	27.79%	26.36%

3.2: Liquidity Coverage Ratio (LCR)

In 1,000 GEL	31.12.2025	31.12.2024
Total HQLA	707,042	844,949
Net Cash Outflow	484,924	562,728
Liquidity Coverage Ratio (%)	146%	150%

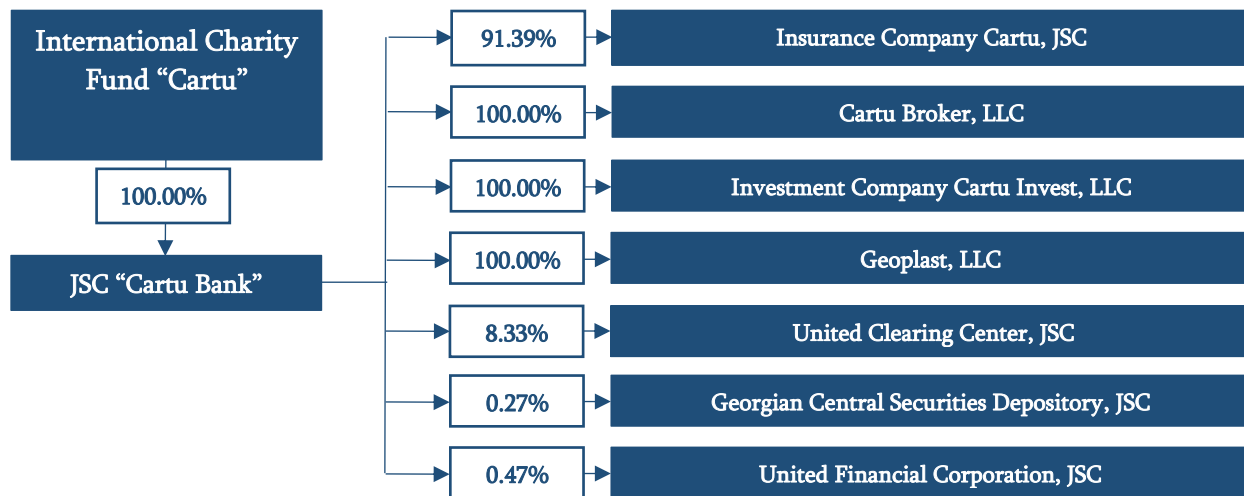
3.3: Net Stable Funding Ratio (NSFR)

In 1,000 GEL	31.12.2025	31.12.2024
Available Stable Funding	1,492,411	1,587,876
Required Stable Funding	930,409	869,845
Net Stable Funding Ratio (%)	160%	183%

Other key financial ratios of the bank is given as an annex on the page “Key Ratios” of the 2025’s 4th quarter report of quarterly report form.

4. Group Structure

The ultimate/beneficiary shareholder of 35% stake in the bank is Uta Ivanishvili. The group's structure is illustrated in the following graph:



JSC Insurance Company Cartu, JSC – The company has been established in 2001 and holds health, as well as non-health insurance licenses. The company information is provided in the following URL: <https://insurance.gov.ge/Statistics.aspx/Statistics>

Cartu Broker, LLC - the company has been established in 2001 and is licensed by the National Bank of Georgia, as the regulator of the securities exchanges market, as broker. The company information is provided on the following URL: <http://gse.ge/broker-companies/cartubroker>

Investment Company Cartu Invest, LLC - the company was established in 1999. The company is inactive since its establishment.

Geoplast, LLC – the bank established the company in 2017 for the effective management of its repossessed assets. No investments have been made for the moment.

United Clearing Center – the company owns and manages huge online portal MYPAY.GE which provides online payments for the plastic (debt/credit) cards owners. The company information is provided in the following URL: <https://www.mypay.ge/Payments/main>

Georgian Central Securities Depository – the company is the system operator of GCSD since 1999. The purpose of this system is to nominally hold securities that are held by its partners, provide clearing and payments, but excluding government securities. GCSD is owned by 4 local commercial banks and Georgian Stock Exchange. The company information is provided in the following URL: <http://www.gcsd.ge/>

United Financial Corporation (UFC), JSC – Georgia's first Processing Center was established in January 1996. Currently the processing center is serving 25 financial institutions, including banks, PSPs, and MFOs. It provides a full range of services according to international VISA International, MasterCard Worldwide and China UnionPay regulations and PCI (Payment Card Industry) data security standards. <https://www.ufc.ge/>

5. Capital Structure

Common Tier 1 Capital (in 1,000 GEL)	31.12.2025	31.12.2024
Common Stocks	114,430	114,430
Other Reserves *	7,438	7,438
Accumulated Other Comprehensive Income	-	53
Retained Earning (Loss)	338,942	301,122
Intangible Assets (including Goodwill)	16,171	10,403
Deferred Tax Assets	-	-
Revaluation Reserves on Assets	-	53
Common Tier 1 Capital	444,638	412,587
Additional Tier 1 Capital	31.12.2025	31.12.2024
Additional Tier 1 Capital Instruments	72,768	75,784
Additional Tier 1 Capital	72,768	75,784
Tier 2 Capital (in 1,000 GEL)	31.12.2025	31.12.2024
Subordinated Debt	9,163	16,279
Reserves	-	-
Total Tier 2 Capital	9,163	16,279
Total Regulatory Capital	526,569	504,650

* The reserve and target fund of the bank were formed from the retained earnings of the year. Their purpose is to cover any potential losses arising from the bank's operations, if necessary.

6. Capital Adequacy

6.1: Risk Weighted Assets

In 1,000 GEL	31.12.2025	31.12.2024
Credit Risk Weighted Risk Assets	1,700,892	1,747,754
Market Risk Weighted Risk Assets	11,887	7,684
Operations Risk Weighted Risk Assets	182,186	158,842
Total	1,894,965	1,914,280

6.2: Credit Risk Weighted Risk Asset

Date: 31.12.2025 In 1,000 GEL	Balance Sheet Risk Weighted Amounts		Risk Weights						Credit Risk Weighted Amounts		
	Amounts	Amounts	0%	20%	50%	100%	150%	250%	Before Mitigation	Mitigation	After Mitigation
On-Balance Sheet Positions											
Due from Governments and Central Banks	325,761	325,761	66,923	-	-	258,838	-	-	258,838	-	258,838
Due from Commercial Banks	300,525	300,525	-	82,716	214,297	3,417	95	-	127,251	-	127,251
Due from Corporate Customers	1,106,842	1,106,842	-	-	-	1,106,842	-	-	1,106,842	91,548	1,015,294
Overdue Loans	49,954	49,954	-	-	-	49,954	-	-	49,954	1	49,953
Property And Equipment *	39,371	23,200	8,232	-	-	14,968	-	-	14,968	-	14,968
Cash and Cash Equivalents with Commercial Banks	33,094	33,094	33,094	-	-	-	-	-	-	-	-
Investments in FI's and Tax Assets	9,527	9,527	-	-	-	-	-	9,527	23,818	-	23,818
Other Investments in FI's	176	176	-	-	-	176	-	-	176	-	176
Other Assets **	98,972	98,972	-	-	-	82,469	-	16,503	123,726	18,350	105,376
Total On-Balance Sheet Amounts	1,964,221	1,948,050	108,249	82,716	214,297	1,516,663	95	26,030	1,705,573	109,899	1,595,674
Off-Balance Sheet Positions											
Guaranties	23,568	23,568	-	-	-	23,568	-	-	23,568	1,019	22,549
Letter of Credit	6,014	6,014	-	-	-	6,014	-	-	6,014	-	6,014
Non-credit criteria Guaranties	139,959	69,979	-	-	-	69,979	-	-	69,979	10,040	59,939
Credit Contingencies ***	33,892	16,946	-	-	-	16,946	-	-	16,946	230	16,716
Total Off-Balance Sheet Positions	203,433	116,508	-	-	-	116,508	-	-	116,508	11,290	105,218
Risk positions weighted by counterparty's credit risk											
Contracts with maturity less than 1 year	-	-	-	-	-	-	-	-	-	-	-
Total	2,167,654	2,064,557	108,249	82,716	214,297	1,633,171	95	26,030	1,822,080	121,189	1,700,892

* Differences between carrying value and risk exposure of property and equipment is due to intangible assets, which is deducted from the regulatory capital;

** The point includes risk exposure to retail customers, repossessed assets and other receivables.

*** Risk exposure is calculated by 50% of commitment

While calculating RWA, bank uses only money on deposit accounts or cash equivalent financial instruments as means of mitigation.

6.3: Market Risk Weighted Risk Exposure

Risk exposure exposed to Market Risk weighting equals to overall open FX position defined by “Regulation Setting, Calculating and Maintaining Overall Open Foreign Exchange Position Limit of Commercial Banks”.

6.4: Operational Risk Weighted Risk Exposure

In 1,000 GEL	2025	2024	2023
Net Interest Income	83,008	75,175	68,979
Profit (Loss) from property realisation	9	1,131	0
Total Non-Interest Income	15,378	29,148	20,950
Total Income	98,376	103,192	89,929
Average Total Income for last 3 Years	97,166	84,716	72,239
Operational Risk Capital (15.00%)	14,575	12,707	10,836
Operational Risk Weighted Risk Exposure	182,186	158,842	135,449

7. Liquidity Coverage Ratio (LCR)

Liquidity Coverage Ratio (According to NBG)

31.12.2025 (in 1,000 GEL)	GEL	FX	Total
Total HQLA	162,617	544,425	707,042
Net Cash Outflow	50,248	434,675	484,924
Liquidity Coverage Ratio (%)	323.6%	125.2%	145.8%
Minimum Requirement	>75%	>100%	>100%

Other key financial ratios of the bank is given as an annex on the page “Key Ratios” of the 2025’s 4th quarter report of quarterly report form. (<https://nbg.gov.ge/supervision/banking-supervision?pageKey=pilar3Quarter>)

Liquidity Coverage Ratio (According to BASEL)

31.12.2025 (in 1,000 GEL)	GEL	FX	Total
Total HQLA	87,001	283,551	370,552
Net Cash Outflow	10,257	42,504	52,761
Liquidity Coverage Ratio (%)	848.2%	667.1%	702.3%

Ratios calculated based on NBG methodology represent minimum regulatory requirements for banks, while figures calculated based on Basel methodology are disclosed for illustrative purposes. Detailed information can be found in quarterly appendix 14. LCR.

8. Shareholders

The charter regulates rights of the shareholder and general shareholders meetings. Shareholders rights include: amending charter, changing the company brand name, choosing and changing members of the supervisory board, approving bank's annual reports, financial reports and audit committee reports. General shareholders meeting is eligible for taking decision of the reorganization and liquidation of the bank.

According to the charter, shareholders meeting has to be held every year, normally, in 2 months after beginning of the reporting year. As bank has an only one shareholder, there is no necessity of the meeting and the shareholder makes an individual decision.

9. Corporate Management

9.1: The Supervisory Board

As of 31st of December of 2025, the Supervisory board of "Cartu Bank" JSC consisted of five members:

1. Nato Khaindrava - The Chairperson
2. Lasha Megrelidze – Independent Member, Deputy of The Chairperson
3. Besik Demetrashvili – Member
4. Zaza Verdzeuli – Senior Independent Member
5. Irine Kinkladze – Member

The Chairperson of the Supervisory Board, Nato Khaindrava, graduated from Tbilisi State University with a degree in Economics in 1988. She has been working in the banking sector since 1982. Starting from 2023, she takes the position of Chairperson of the Supervisory Board and becomes a member of the Audit Committee. From 2016 to 2023, she served as CEO of Cartu Bank JSC and as Chief Non-executive Officer at Cartu Group JSC. Prior to her role of CEO, she was Chief Financial Officer from 2013 to 2015. From 2011 to 2013, Mrs. Khaindrava held the position of First Deputy Director at JSC Cartu Bank. Between 2003 and 2011, she was Deputy Director of the bank and headed the Internal Audit and Financial Departments. In 2002-2003, she worked as a liquidator in the National Bank of Georgia's Division of Banks Supervision. Before joining NBG, in 2001-2002, she was the Chief Accountant of the Liquidation Committee at Tbilkombank. From 1993 until 2001 was taking positions of Chief Accountant, Deputy Director, and Chief Accountant of the Liquidation Committee at Sigma Bank. Prior to joining Sigma Bank, from 1982 she served as Chief Controller, Head of the Branch, and Chief Accountant at the Saving Bank's Nadzaladevi Branch.

Lasha Megrelidze graduated from Business School Lausanne with bachelor's degree in business administration. Starting from 2023, he is appointed as Deputy of The Chairperson of the Supervisory Board of Cartu Bank JSC and is independent member. He is also the Chairperson of Audit Committee and member of Risk Management Committee. From 2019 to 2022, he held the position of Head of International Business in JSC Bank of Georgia. Prior to that, from 2017 to 2019, he was a Business Development Manager. In 2015-2017, he served as senior assistant at Galt and Taggart JSC. In 2011-2014, he worked as a trader at "Commodities International", commodity trading house, in the United States of America.

Besik Demetrashvili has graduated from the Faculty of Law of Tbilisi State University. From 2012, he takes positions of the Head of LLC Management Service and LLC Georgian French School. From 2014, he is the Chief



Executive Officer at LLC Agro Cartu, while from 2015 takes the same position in following companies LLC Riviera XXI and JSC Didveli. He is being a member of Georgian BAR Association from 2008. Simultaneously, he is a Legal Adviser at LLC FINSERVICE XXI. Mr. Demetrashvili used to be a Head of Legal Departments at LLC Burji and Non-Profit Organization Association ATU in 2005-2006 years, while in 2002-2006 took position of Securities Registrar at LLC Registry XXI. Besik Demetrashvili worked as a lawyer at Tbilisi City Council in 1999-2000 and at NGO Article 42 of the constitution.

Zaza Verdzeuli has obtained his bachelor and master's degrees in Trade Economics and Commodity Studies from the Tbilisi State University. In 2019 Mr. Verdzeuli was assigned to the position of the independent member of the supervisory board of Cartu Bank, JSC. From 2007 till 2019 he was taking position of the Head of Risk Management Department as well as the Deputy Director at Ziraat Bank, JSC. In 2006 he was in charge of the Head of Retail Business Department at Silk Road Bank, JSC. From 1995 till 2004 he was responsible for Currency Operations, Branch Management, Correspondent Relations, and Settlements at Georgian Post Bank, JSC. His career start is connected to Caucasus Bank in Georgia and Bank Liutvi JSC in Russia, where he oversaw accounting.

Irine Kinkladze has received her Bachelor's degree in Business Administration from Caucasus University. She has obtained her Master's degree in Innovative Hospitality Management from Ramon Llull University. In 2025, Ms. Kinkladze was appointed as a member of the Supervisory Board of JSC "Bank Cartu". Also, from 2025 to the present, she has been the Deputy General Director of LLC "GCF Partners". In 2013-2025, she held the following positions at LLC "GCF Partners": Investment Analyst, Senior Investment Analyst, Leading Specialist of the Tourism and Real Estate Department, Head of the Tourism and Real Estate Department. During 2013, she was an investment analyst at Horwath HTL, and in 2009-2012, she was an audit assistant and then a leading specialist at Deloitte & Touche LLC.

The authority period for the members of the Supervisory Board is set to 4 years. Supervisory board is actively involved in planning and monitoring of all the ongoing processes and has the leading role in managing the bank.

The main roles of the Supervisory Board include:

- Consideration and approval of the main principles of the bank's operation and the strategic development plan;
- Invitation of a general meeting of shareholders, determining the agenda;
- Appointment of the Director General and other members of the Board of Directors, supervision of their activities, restriction/termination of their authorities. Determination of the terms of remunerations and termination of an employment contract with them;
- Control the activities of the Board of Directors (ad of each of its members);
- Nomination of a candidate for approval to the general meeting of shareholders, for carrying out an external audit of the bank;
- Establishment of committees under the Supervisory Board, including the Audit Committee and Risk Committee, determination of their quantitative and personnel structure, terms and remunerations of members. As well as the approval of the policy documents of these committees;
- Revision, evaluation and approval of the bank's Recovery Plan;
- Monitoring the Pillar 3 reporting process, including ESG issues, and approval of the annual Pillar 3 report;
- Approval of the Banks ESG risk management policy;



In accordance with the Order No. 215/04 of the President of the National Bank of Georgia dated September 26, 2018 “On the Approval of the Corporate Governance Code of Commercial Banks”, the Supervisory Board of the Bank performs an annual self-assessment of its activities. Additionally, the bank has provided an assessment of the Supervisory Board's performance as of 2025 by an external auditor.

The independent consulting company Moore conducted an evaluation of the Bank's Supervisory Board and Committees' activities for the year 2025. During the evaluation process, Moore utilized various mechanisms to determine the Board's effectiveness and compliance with the Corporate Governance Code for Commercial Banks, including: self-assessment of Board and Committee members, individual interviews, analysis of submitted documentation, and other relevant procedures.

The purpose of the evaluation was to identify areas requiring improvement by the Board and/or its members, as well as to ensure a better understanding of the current state and future development plans by the Board members.

Based on the evaluation results, it was determined that the Board, as a collegial body, and its individual members are fully aware of their rights and responsibilities, the Bank's mission, vision, and strategic development directions. Board members possess sufficient knowledge and information regarding both the regulatory framework and corporate governance standards and best practices.

The qualifications, experience, and skills of the Board members comply with legal requirements, the Bank's needs, and the Corporate Governance Code. The Bank operates Audit and Risk Committees, and the composition of the Board and Committees during the reporting period was in compliance with both current regulations and the requirements established by best practices.

Based on the evaluation results, the independent evaluator determined that the Board members have the ability to:

- Clearly define performance priorities and expectations, for which the Board has developed relevant policies, internal regulations, guidance documents, and procedures;
- Properly analyze and process received information, effectively monitor the implementation of decisions, and exercise control over the Management Board within the scope of their defined authority;
- Maintain a professional and productive relationship with the Management Board without compromising control and monitoring functions, and receive necessary information in a timely and appropriate manner;
- Supervise the Bank's reporting process, plan and conduct the reporting process through relevant committees, and effectively manage risks;
- Critically evaluate information regarding the Bank's activities, demand the Management Board accountability, and maintain an evidence-based belief that the Management Board is properly fulfilling the tasks and priorities set by the Board.

The Board's strengths were identified as the sharing of common values by members, their active involvement in the Bank's activities within their competence, and the ability to critically and objectively assess the challenges facing the Bank and define priority areas for future development.

The evaluation process also highlighted the high level of engagement of Board members in the Board's activities and meetings. Issues were discussed in an open, direct, and informal discussion format, ensuring a detailed and multifaceted review of the matters.

According to the evaluation results, the interaction between Board members and the Management Board is characterized by a high-quality work culture and a clear understanding of the Bank's objectives. Furthermore, this cooperation was carried out without any overlap of powers or impairment of control and monitoring functions.

As a result of the evaluation, Moore gave a positive assessment of the activities of the Bank's Supervisory Board and Committees. It was concluded that the Board's activities comply with legal requirements, current regulations, and corporate governance best practices.

Additionally, it is noteworthy that the Board's performance has improved since the previous independent evaluation in 2023. Nevertheless, further improvement is possible by planning periodic training and development events for Board members, considering their qualifications and needs. It is also recommended to continue paying more attention to the formalization and documentation of processes to strengthen institutional memory and succession planning.

During 2025, the Supervisory Board reviewed matters within its competence, including:

- Policy/Instructions for Identification of Material Risk Takers
- Compliance Risk Management Policy
- Credit Committee Charter
- Business Continuity Management Policy
- Employee Compensation Policy
- Material Risk Takers Compensation Policy
- Risk Appetite Document
- Organizational Risk Management Policy
- Credit Risk Management Policy
- Interest Rate Risk Management Policy
- Currency Risk Management Policy
- Liquidity Risk Management Policy
- Unhedged Foreign Exchange Credit Risk Management Policy
- Business Risk Management Policy
- Operational Risks Management Policy
- Fraud Risk Management Policy
- Third-Party Risk Management Policy
- ICT and Cybersecurity Risk Management Policy
- Legal Risk Management Policy
- Human Resources Risk Management Policy
- Reputational Risk Management Policy
- ESG Risk Management Policy
- Compliance Risk Management Policy

9.2: The Management Board

The Management board is the executive board of the bank, and its authority is set for 4 years. As of December 31, 2025 the Management Board consisted of following members:

1. Zurab Gelenidze - Chief Executive Officer
2. Givi Lebanidze – Deputy CEO, Chief Financial Officer
3. Beka Kvaratskhelia - Deputy CEO, Chief Risk officer
4. Zurab Gogua - Deputy CEO, Chief Commercial Officer
5. Giorgi Korsantia – Deputy CEO, Chief Information Technology Officer
6. Vakhtang Machavariani - Deputy CEO, Chief Operating Officer

Chief Executive Officer, Zurab Gelenidze, graduated from the faculty of Economics, majoring in international economic relations, at Tbilisi State University in 1997. In 2020, he obtained a master's degree in business administration from the University of Sheffield, UK. From October 2023, takes the current position of Chief Executive Officer at Cartu Bank. In the years 2020-2023, he was the general director of CBS Group LLC. From 2021 until 2023, he also used to be the deputy chairman of the Supervisory Board of JSC Telasi. From 2013 to 2019, he held the position of Chief Financial Officer in Industrial Group of Georgia LLC. From 2011 until 2013, Served as deputy corporate director at TBC Bank. In 2010-2011, Mr. Zurab was the Deputy Chief Commercial Officer at HSBC Bank. During the years 2006-2010, he held the position of the Chief Commercial Officer at BTA Silk Road Bank. Starting from 2004 until 2006, he used to work as the Chief financial Officer of "Iberia Refreshments, Pepsi Cola". In the years 2003-2004, served as the director of the corporate department at Bank of Georgia, and before that, in 2000-2003, used to be the head of the international relations department. In 2000, he was heading the credit analysis division of the risk department in the same company. From 1999 to 2000, he served as the head of the Documentary Business Division of the Department of International Relations and simultaneously held the position of Senior Economist in the Credit Department.

Chief Financial Officer, Givi Lebanidze, graduated from the Economic Faculty of Tbilisi State University with the degree of Economic Cybernetics and qualification of Economist-Mathematician. In 2019, Mr. Lebanidze obtained master's degree in finance from the Georgian Technical University. From March 2016, takes current position of Chief Financial Officer at Cartu Bank, while in 2018 he also became the Chief Financial Officer of the Insurance Company Cartu, JSC. From January 2013, Mr. Lebanidze became Deputy Director of Risk Management Department as well as Head of Financial Risk Management Division at Cartu Bank before he was promoted to Director of Risk Management Department in January 2016. He was heading Investment Division of Cartu Bank in 2010-2013 years. In years 2009-2010 and 2007-2009 used to be Corporate Banker and SME Credit Expert respectively. From December 2012, he simultaneously was working at Global Contact Consulting, JSC as a member of the supervisory board and after 2 years became the Chairman of the Supervisory Board of the same company.

Chief Risk Officer, Beka Kvaratskhelia, got a degree in International Economic Relations at Tbilisi State University, Faculty of Economics. From 2013 until now, he is a Chief Risk Officer at Cartu Bank. Before being promoted to CRO, Mr. Kvaratskhelia served as a Director of Risks Management Department in years 2009-2013, whilst as a Head of Risks Management Division during 2006-2009 years. He used to work as a Deputy Director of the Credit Department and Head of Corporate Credit Division from 2004 until 2006. From 1997 to 2001 was a Credit Officer and later till 2004 the Chief Credit Officer at Cartu Bank.

Chief Commercial Officer, Zurab Gogua, holds graduate and postgraduate degrees in Economics and Macro Economics from Tbilisi State University and Ministry of Economy Institute of Economy and Social Problems. From 2013, Mr Gogua takes the current position of Chief Commercial Officer. He used to lead Credit Department in years 2004-2013, whilst Credit Division in 2002-2004 years. Starting from 2000, until 2002 he was serving as a Deputy Head of Credit Division. He was Head of Monitoring and Analysis Division in 1998-2000 years, whilst



Credit Officer in 1997-1998 and Economist of Cartu Bank in 1997. Before joining Cartu Bank, Mr. Gogua was a Manager of Marketing Research Center in 1995-1997.

Chief Information Technology Officer, Giorgi Korsantia, graduated from the Faculty of Energy and Telecommunications at the Technical University of Georgia in 2009. From 2023 until now, takes the current position of Chief Information Technology Officer at Cartu Bank. While serving as the head of the Payments and Data Management Department at Liberty Bank from 2020 to 2022, he previously held the position of Deputy Head of the Information Technology Department from 2018 to 2020. Starting from 2014 until 2018, he was the head of the Information Technology Department at “International Bank of Azerbaijan” of Georgia. In 2012-2014, he used to work as the IT service outsourcing manager at Asseco Georgia. In the years 2008-2012, he held the position of software engineer at Onyx Consulting.

Chief Operating Officer, Vakhtang Machavariani, received a master's degree in law from Tbilisi State University in 1998. Additionally, he obtained a doctorate in civil law in 2003, and a master's degree in business administration, specializing in economics in 2006. In 2021, he got another master's degree in law from the Illinois Institute of Technology/Chicago-Kent College of Law, USA. From 2025 until now, takes the current position of Chief Operating Officer at Cartu Bank, during 2023-2025 he was Chief Administrative Officer. During the years 2009-2023, he used to be the Vice-President of VTB Bank Georgia, and from 2008 until 2009, he held the position of Deputy Chief Executive Officer. Starting from 2011 until 2018, he worked as an associate professor at Caucasus University. During the years 2005-2008, served as a consultant to the Chief Executive Officer of Tbilisi Water LLC and was a member of the supervisory board. In 2007-2008, he used to be the head of the legal department of Taoprivate Bank. In the years 2007-2008, he was an invited legal expert at the MONEYVAL COMMITTEE. Starting from 2003 until 2007, he served as the Deputy Head of Service at Financial Monitoring Service of Georgia. From 1998 to 2003, he concurrently held the positions of the deputy head of the legal department, the head of the legal department of the banking activity and the leading lawyer in the National Bank of Georgia. In 1996-1998, he was a consultant/advisor in the Department of Private Law at the Ministry of Justice of Georgia.

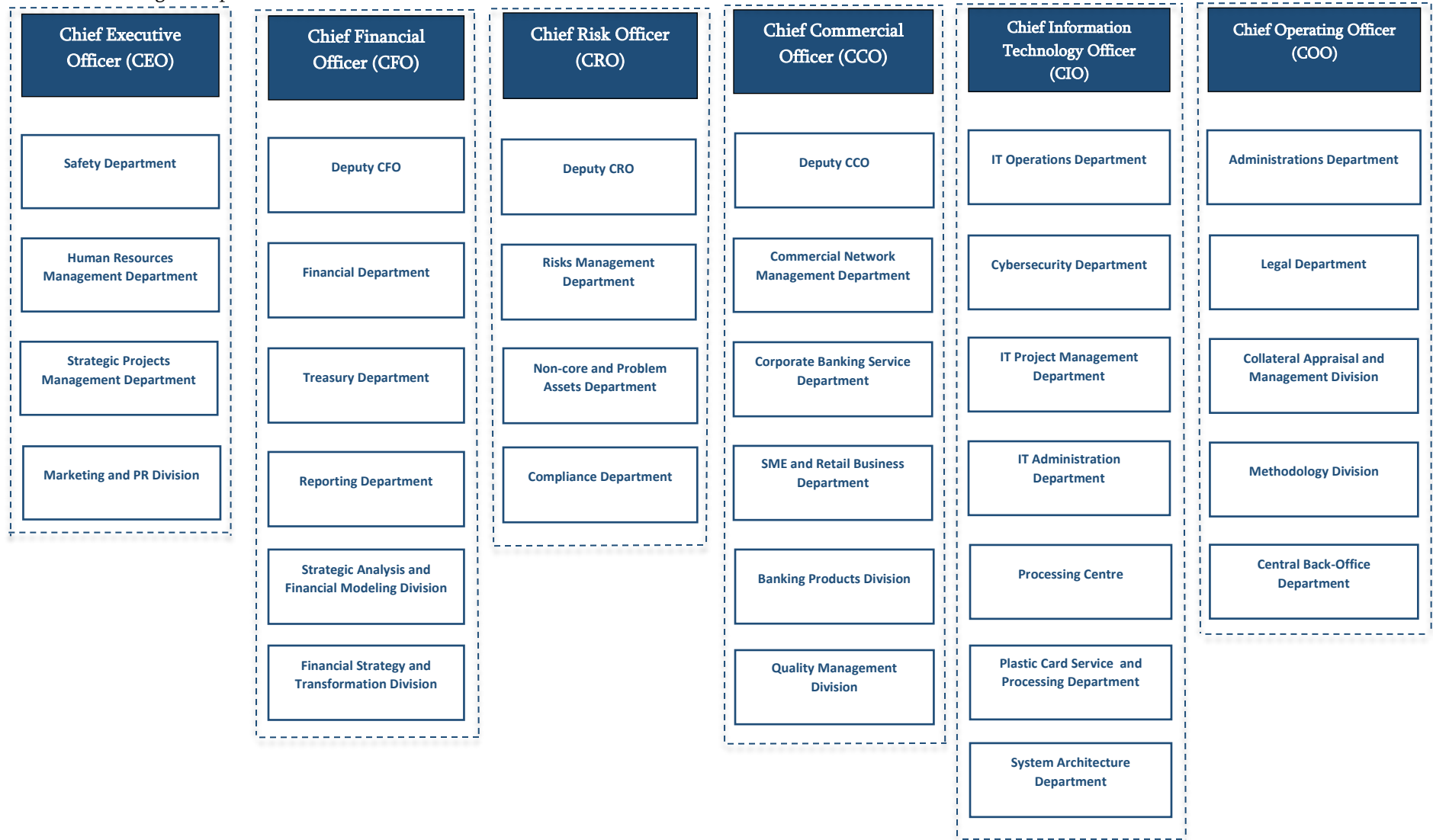
The Management board organizes banks day-to-day activities, executes decisions made by supervisory board and general shareholders meeting. Board is responsible for banks financial standing.

In case of equal distribution of votes during voting procedure, CEO's vote is decisive. At the same time, directors individually represent the bank in relation to third parties.

During the period of 2025, the Management Board developed, discussed and reviewed matters within its competence, including:

- Policy on the Identification of the Client's Beneficial Owners (KYCUB)
- International Sanctions Compliance Policy
- Correspondent Relationship Management Policy

The following chart provides information on the curatorial directions of bank directors



9.3: Audit Committee

The Audit Committee represents the consultative body existing under the surveillance of the Supervisory Board, decisions made by the Audit Committee serves as a recommendation to the Supervisory Board. The key role of the committee is to promote the functioning of the internal and external auditors.

The purpose of the committee is to support the Board to carry out supervising functions and to properly inform members of the board on the following issues:

- Completeness and reliability of the Banks financial statement;
- Efficient functioning of the Internal Audit Department;
- Independence and qualification of the external auditor, also the quality of the service provided, amount of work and payment;
- Internal control system of the bank, efficiency and reliability of risks management;
- Details considered in the recommendation letter issued by the external auditor and information about the monitoring results of the board of directors implementing the solvings for the gaps highlighted by the auditor;

The Audit Committee addresses the Supervisory Board with an oral or written recommendation, expresses its own view and valuation about improving the forms of supervision. At the end of the year it makes reports about the performed work.

The Audit Committee consists of three members, including two independent ones. They are not connected to a bank, also, they or people related to them, according to the Civil Code of Georgia, who are among the circle of legal heirs, in the I and II grade, do not have the financial responsibility towards the bank. None of them is a member of a supervisory board or management board of any other commercial bank. The supervisory board, while choosing members, takes into consideration the compliance of the education and the experience also compliance of the quality of independence with the internal standards.

Committee shall meet in person minimum once in a quarter, as for special cases the meeting is called by the request of the chairman of the supervisory board, chairman of the committee or two members of the committee. Also, by the request of the head of Internal Audit Department of the bank.

In accordance to the Order No. 215/04 of the President of the National Bank of Georgia dated September 26, 2018 “On the Approval of the Corporate Governance Code of Commercial Banks”, the Audit Committee annually considers and assesses the independence level of the external auditor. The member of the Big Four, EY, LLC provides the audit service to the bank for the financial year 2025, whose independence quality was well evaluated and accepted by the Audit Committee. Information about the costs and fees connected to the service of the external auditor can be found in the banks Audit Report for the financial year 2025.

The Audit Committee Statute approved by the supervisory board regulates the work of the committee.

9.4: Risk Committee

Risk Committee represents the collegial body of the risk management in the bank existing under the surveillance of the Supervisory Board. The work of the committee is conducted according to the bank strategy and the risk appetite. It is based upon the local legislature, charter of the bank and other internal standards, also, the international practice in effective risk management is being taken into consideration.

Amongst functions of the risk committee are as follows:

- Defining the risk management strategy on the level of individual risk as well as on the aggregated basis. Reporting results to the Supervisory Board on the quarterly basis in the written manner, including information about acting as well as about the future risk appetite;
- At least annually reporting to the Supervisory Board about the internal risk management culture and results of the surveillance of the acting policies about the risk management;
- Coordination with the Chief Risk Officer and monitoring the performance;
- Monitoring the management strategy for the capital, liquidity at the same time all types of other risks including credit, market, operational and reputation risks, in order them to be aligned with the risk appetite;
- Conducting the stress scenario analysis as well as all types of scenarios with the possible impact on the risk profile;
- Analysing the Pillar 3 reports including ESG reports and providing recommendations to the Supervisory Board;
- Discussing the Recovery Plan of the bank and presenting the following recommendations to the Supervisory Board;

The Risk Committee consists of three members, including two independent ones. They are not connected to a bank, also, they or people related to them, according to the Civil Code of Georgia, who are among the circle of legal heirs, in the I and II grade, do not have the financial responsibility towards the bank. None of them is a member of a supervisory board or management board of any other commercial bank. The supervisory board, while choosing members, takes into consideration the compliance of the education and the experience also compliance of the quality of independence with the internal standards.

The risk committee is chaired by the independent member of the supervisory board.

Committee shall meet in person at minimum once in a quarter, taking the risk type of the bank as well as requirements and development, the meeting can be called additionally.

The Risk Committee Statute approved by the supervisory board regulates the work of the committee.

9.5: Credit Committee

The committee represents the highest collegial body in the credit management of the bank. The supervisory board delegates the authority to the committee to adopt decisions about bank procedures connected to crediting and managing it. The work of the committee is fully based upon the charter of the bank, internal standards and the international practice used in crediting.

The direct functions of the committee are to discuss all types of credit applications; to make final decision on approval or rejection; to agree on parameters related to specific loans, such as limits, currency, validity periods and interest rates; to make decision on defining and changing them, restructuring, prolonging, and correcting the possible loan loss provisions.

The Committee is being appointed and approved by the supervisory board. The committee unites the following authorized permanent members:

- Chief Executive Officer (Chairman of the committee)
- Chief Risks Officer
- Chief Financial Officer
- Chief Commercial Officer
- Corporate Banking Service Department
- Director of Legal Department

The Credit committee member cannot be a person who is not an employee of the bank, an employee of the internal audit or any other person of a controlling body, in order to avoid the conflict of interests due to their position.

The chairperson of the committee defines the agenda and topics to discuss.

The credit management committee is directly responsible towards the managing board.

The work of the committee is regulated by the Credit Committee Regulation approved by the Bank's Supervisory Board.

9.6: Small Credit Committee

Like the credit committee, small credit committee also represents the banks collegial body in the credit business management, though it can operate within the limited frames defined by the supervisory board.

The supervisory board appoints members and defines people with the appropriate delegated authority. The committee consists of three authorized members: Chief Commercial Officer (chairperson of the committee), Chief Risk Officer and Director of the SME and Retail Business Department.

Any loan application, which does not confront with the credit policy of the bank, may be reviewed by the committee, thereto the whole debt of the business group, approved loan or requested amount in total should not be more than USD 300,000 or equivalent in other currency.

Committee is neither allowed to review the non-collateralized application, the application of the insider and of the enterprise created with the government share. Furthermore, it is not allowed to establish less interest rate on standard classified loans than it is already established, to introduce more than six-month grace period on profit payout and twelve- month grace period on capital amount.

The small credit committee is directly responsible towards the credit committee.

The work of the committee is regulated by the Small Credit Committee Regulation approved by the Bank's Supervisory Board.

9.7: Assets and Liabilities Management Committee

Assets and liabilities management committee represents a collegial body, its purpose is to maintain and improve the financial qualitative factors on the basis of effective management of assets and liabilities of the bank.

The primary mission of the committee is to ensure the alignment of the ALM policy with the bank's strategy and other policies, to support the management of mobilized resources through effective management, and to define the desired volume and parameters related to liabilities, allocations, and treasury operations.

The committee is appointed and approved by the Supervisory Board. The Committee consists of six authorized members:

- Chief Financial Officer (Chairman of the committee)
- Chief Executive Officer
- Chief Risk Officer
- Chief Commercial Officer
- Director of the Treasury Department
- Director of the Reporting Department

Assets and Liabilities meeting is scheduled by the chairperson, if required. The ALM Committee charter approved by the supervisory board of the bank regulates the activity of the committee.

9.8: Business Process Management Committee

The main functions of the Business Process Management Committee are to discuss and adopt new/current/optimised business processes, block-diagrams of business processes and in case it is needed, auxiliary documents (applications, technical tasks, etc).

Members of the committee are chosen and approved by the supervisory board of the bank. The committee consists of seven authorized members:

- Chief Administrative Officer (Chairman of the committee)
- Head of Operational Risk Management Division
- Head of Quality Management Division
- Head of Methodology Division
- Director of IT Project Management Department
- Deputy Director of the Reporting Department / Head of Management Reporting and Budgeting Division
- Head of Compliance Division

The member of the committee cannot be a person who is not an employee of the bank, an employee of the internal audit department or any other person of a controlling body, in order to avoid the conflict of interests due to their position.



The committee meeting is scheduled by the chairperson, if required. Head of Methodology Division is in charge of the secretary of the committee. The topics for discussion are proposed by Methodology Division.

The committee is directly responsible towards the managing board of the bank.

The work of the committee is regulated by the Business Process Management Committee Regulation approved by the Bank's Supervisory Board.

10. Risk Management

10.1: Corporate Strategy

The significant part of the bank's corporate strategy is credit granting to corporate and small and medium-sized enterprises (SMEs). The bank is planning to maintain existing profile and increase the share of SMEs in its credit portfolio in the medium term.

It is significant for the bank to improve the quality of assets, which implies the bank to reduce the share of repossessed assets in its total assets, further reduce the share of non-performing loans in the total credit portfolio, maintain or upgrade its international credit ratings and diversify its credit portfolio across the different industries.

In the long term the bank is planning to change the structure of raised funds, in name, to substitute comparatively short-term funds by the longer-term funds and also to diversify funding sources.

10.2: Risk Management Framework

JSC Cartu Bank's business model is designed to ensure that the bank preserves above-average capitalization level, and resources are distributed to the sectors and assets that supports the achievement of sustainable and balanced growth.

The principal risks that Cartu Bank encounters in the pursuit of its strategic objectives have been categorised as follows: Business, financial, operational, ESG and reputational risks.

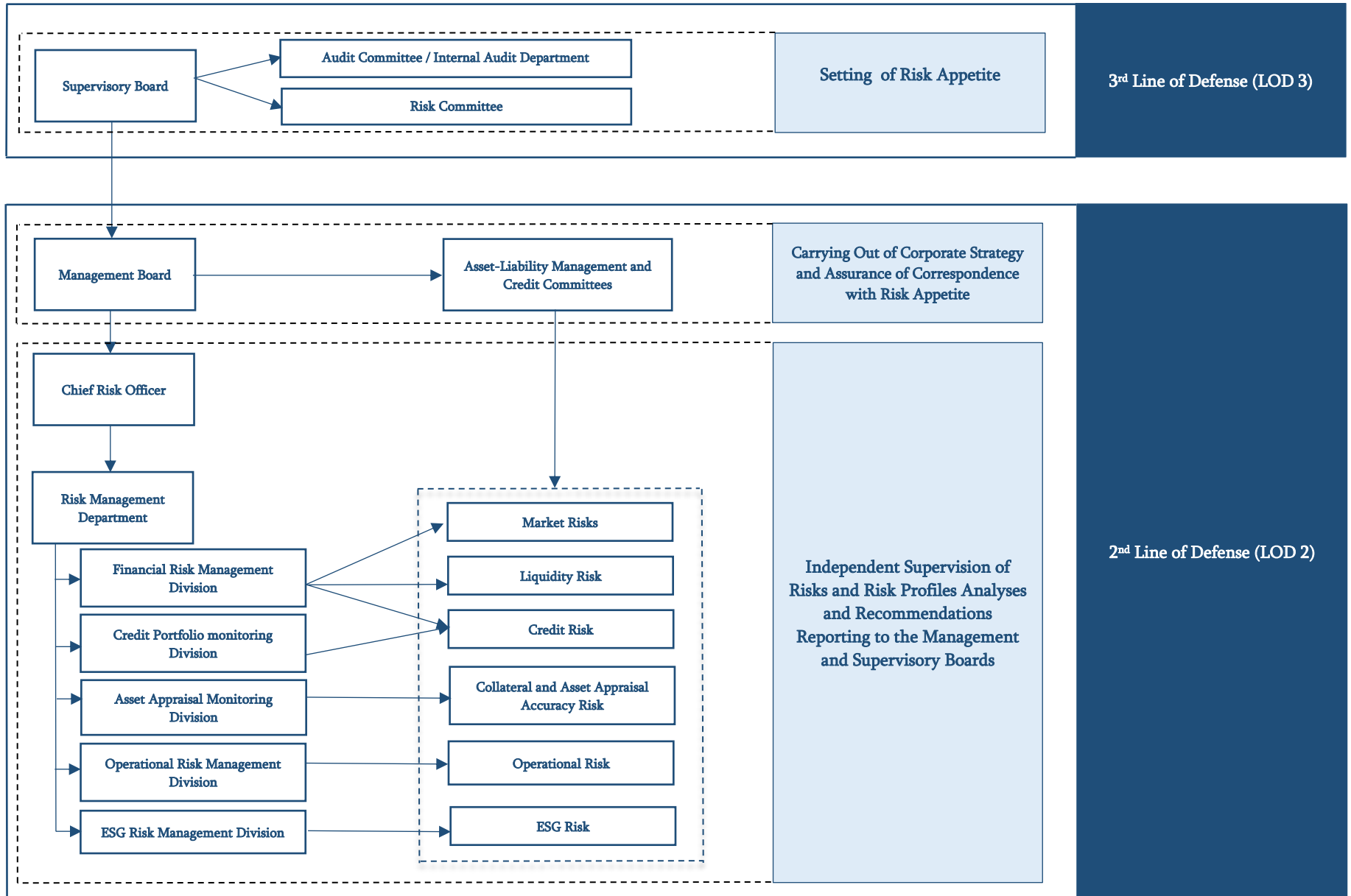
The Bank's risk management objectives are as follows:

- To determine a risk appetite that maximises risk/return whilst ensuring that the Bank maintains adequate capital at all times;
- To ensure that prudent levels of liquidity are in place to fulfill short-term liabilities of the Bank even under stressed conditions;
- To have an adequate and effective control mechanisms ;
- The complete compliance and adherence to the rules and regulations governing the bank's business.

The key principles that ensure an effective risk management strategy are:

- Existence of the robust 2nd Line of Defence in the bank;
- Correspondence of the overall principles set by the bank's corporate strategy and the level of risk the bank is able and willing to undertake (the bank's risk appetite);
- Ensuring that the risk issues associated with business development activities are being correctly identified, measured and properly reported;
- Obtaining appropriate assurance that there are sufficient controls in place for controlling risk.

Bank's risk management structure is given on the following chart:



Risk Appetite

Supervisory board reviews and approves risk appetite document, which facilitates the bank's long-term, sustainable growth and balances the need for long-term profitability with prudential risk management. The bank's risk appetite is defined by quantitative measures. The bank uses risk appetite to define the broad-based level of risk that the bank is able and willing to undertake in carrying out its business.

Capital Planning

The supervisory board assesses the capital requirements as for supporting the business plan, so to withstand the stressful environment.

Liquidity Planning

Management board critically assesses the liquidity the bank needs as for supporting the business plan, so to withstand the stressful environment. Each month bank's treasury department prepares liquidity forecasts of up to 1 month, 3-6 months and 6-12 buckets and which, after review by the Risk Management Department, is submitted to the Management Board.

Enterprise Risk Management Model

The Bank uses the 3 Lines Of Defense ("3 LOD") model to manage its risk across the enterprise. The model is used as a means of communicating clear accountabilities to achieve and assure overall effective risk governance, which facilitates reinforcing the Bank's internal control framework.

The 3 LOD approach separates the ownership of risk from the functions that oversee risk and the functions that provides independent assurance:

- **1st Line of Defense (LOD 1)** - bank's structural units, which own and manage risks. This line comprises business and operational units. Heads of divisions and directors of departments, as owners of risks and controls, are ultimately responsible for all risks and controls that fall within their area of responsibility.
- **2nd Line of Defense (LOD 2)** - structural units, that identify and supervise risks. Risk management process, that exists for functioning a robust second line of defense is as follows:
 - Risk Control Assessment;
 - Scenario Analysis;
 - Active Credit Portfolio Quality Management;
 - Key Risk Indicators / Early Warning Signs;
 - Governing Bank's Different In-house Models
 - New Products and Services
 - Internal Control Assessment/Attestation
 - Ongoing Monitoring of the key risk management Policies and Procedures
 - Operational risk events reporting
 - Etc.
- **3rd Line of Defense (LOD 3)** - Units that:
 - Conduct Independent audit of various functions and areas;
 - Assess compliance with risk appetite;
 - Independently Control Processes and Key Indicators;

Risk measurement and monitoring systems

The main principles for effective risk measurement and monitoring are:

- Measure risk exposures by expected credit loss modelling, risk indicators and scenarios on enterprise level;
- Facilitate top management understanding of the severity of the risk;
- Reporting of risk profiles analyses to the supervisory Board and management board with risk indicators and mitigation means, in order the supervisory and management board to assess compliance with risk appetite and in case of necessity to adjust it;
- Proper record-keeping of accepted risks.

Quarterly risk profile reports submitted to the supervisory and management boards include:

- Credit risk profile analysis;
- Liquidity risk profile analysis;
- FX risk profile analysis;
- Interest Rate risk profile analysis;
- Various operational risk profile analysis;

Standardised Approach

To calculate risk exposures for the regulatory purposes the bank uses only the standardized approach according to the NBG regulation about “capital adequacy requirements of commercial banks” (which is in correspondence to the Basel Committee on Banking Supervision’s capital adequacy framework).

Stress Tests

The bank conducts different stress tests and analyzes forecasted scenarios by changing different parameters. This ensures bank to assess/measure not only currently identified risks, but also the new potential risks arising in times of stressful development of events.

The bank is exposed to certain risks in conducting its business. The bank’s principal risk categories are shown below:

- **Business risk** - the risk of a significant shortfall in the bank's profitability, credit rating and market share compared to planned targets, which may be caused by the loss of clientele, pricing decisions, third-party relationships, competition and the introduction of new products. Detailed information regarding the bank's profitability, other financial indicators, and credit rating is available on the bank's website: <https://www.cartubank.ge/>.
- **Credit Risk** - the risk of default of an exposure that may arise from a counterparty failing to make required payments. The Credit Risk may arise from the Bank’s various dealings with its clients, such as credit issuance, treasury and investment activities, trade financing and etc. The detailed information about Credit Risk, its evaluation and methodology can be found in the Annual Audit Report 2025.
- **Market Risk** - the risk that may arise because of change of interest rates, foreign exchange rate, shares and/or tradable commodities on international exchanges will change the net asset value of the bank, which entails loss. For the regulatory purposes, the bank calculates market risk according to the overall open FX position, which as of December 31, 2025 is equal to 11.9 mln GEL. The detailed information about Market Risk can be found in the Annual Audit Report 2025.
- **Liquidity Risk** - the risk associated with the bank’s inability to meet its liabilities when they are due or meet them by disposing of assets with significant discount, which will reduce bank’s capital. Liquidity

management is primarily based on limits established by the supervisory authority, including the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) requirements.

- **Collateral and Repossessed Assets Appraisal Accuracy Risk** – The risk is connected to:
 - Inaccuracy of appraisal of the collateral, which means inaccurate risk assessment in case of the possible default. It can affect the decision about crediting.
 - Not accurate appraisal of the repossessed asset which affects the decision about sales of the asset;
 In order to manage mentioned types of risks, the market price for the mentioned assets are calculated according to IVS by internal as well as external appraisers. As for the larger assets the following report is being prepared by the asset appraisal monitoring division, which ensures the compliance to IVS standards.
- **Operational Risk**- the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events, that impact the bank's operations. It encompasses ICT, information security, physical security, human resources, compliance, legal, and fraud risks. For supervisory purposes, Bank calculates operational risk using the Basic Indicator Approach.
- **ESG Risk** – Environmental, Social, and Governance (ESG) risk refers to the potential financial, operational, legal, or reputational damage caused to the bank by environmental issues (e.g., climate change, resource depletion), social factors (e.g., human rights, labor practices, community impact), and governance matters (e.g., corporate ethics, transparency, regulatory compliance). The bank's ESG risk profile is influenced by both its own operational activities, as well as the attitudes of its clients towards ESG issues within its credit portfolio.
- **Reputational Risk** - The risk of negative perception of the bank by stakeholders, which could adversely affect the bank's ability to maintain existing or establish new business relationships and ensure continued access to funding sources.

10.3: Credit Risk Management

Credit Risk is the risk of default of an exposure that may arise from a counterparty failing to make required payments. The Credit Risk may arise from the bank's various dealings with its clients, such as credit issuance, treasury and investment activities, trade financing and etc.

The top-down management of the Credit Risk starts from the Supervisory Board of the Bank, who is responsible for setting the Credit Risk Appetite as well as Credit Risk Management General Framework, the Board of Directors is responsible for fulfilling the set requirements. The Risks Committee, has own scope, which should include the following responsibilities:

- Assess the Bank's risk tolerance in terms of credit risk;
- Ensure the implementation of credit risk identification, measurement, monitoring and controlling fundamental principles in the bank;
- Establish bank's limits on credit positions and concentrations;
- Periodically review bank's credit portfolio and its riskiness;
- Periodically get the report about credit risk management process;
- Provide risk-taking divisions, credit department and financial risk management division, with appropriate qualified human and technical resources.

The first element of credit risk policy is to determine the risk level that the bank can take. Credit risk tolerance has to be determined by considering the amount of capital and general risk appetite of the bank.

Credit Risk Assessment

To effectively manage credit risks, the bank utilizes an internal loan rating system and a methodology for provisioning expected credit losses on financial instruments.

Credit Risk Monitoring

Monitoring process of credit risk is mainly performed by credit portfolio monitoring division, which represents part of risk management department.

The above-mentioned division performs financial analysis of the large borrowers and prepares monitoring reports with appropriate recommendations on a semi-annual, quarterly, or/and monthly basis (depends on the business specifics, amount of debt and financial strength of the borrower).

Collateral

The bank actively uses pledged collateral for the purpose of mitigating the credit risk arising from corporate and retail borrowers default probability. Pledged collateral is not considered as a risk mitigant in credit risk weighted assets for the regulatory purposes. Collateral risk assessment process includes assessing collateral value, liquidity and execution risks. Collateral is also grouped according to correlation with the financed business. During the decision-making process of loan disbursement higher time haircuts are used for the collateral assets with high correlation with the business for LGD purposes. Information about the loans, in terms of collateral, is given in 2025 Audit report.

Bank has collateral valuation and management division, which performs the valuation/revaluation process of the assets put forward as a collateral by the borrowers. On several occasions, bank uses valuation services of outside firms/individuals specialized in asset valuation. The bank has the Asset Appraisal Monitoring Division in the Risks Management Department for monitoring the appraisal quality on the level of the whole process as well as the individual asset.

External Credit Assessment Institutions (ECAIs)

The Bank uses ratings from external credit rating agencies to assign risk weights to liquid assets for the purposes of calculating capital adequacy and liquidity ratios and determining the expected credit loss provision on corporate bonds.

Bank considers Standard & Poor's, Moody's, Fitch's and Scope Ratings' credit ratings.

10.4: Interest Rate Risk Management

The top-down management of the Interest Rate Risk starts from the Supervisory Board of the Bank, who is responsible for the setting the Interest Rate Risk Appetite as well as Interest Rate Risk Management General Framework, the Board of Directors is responsible for fulfilling the set requirements. Regarding the interest rate risk management, the Risks Committee of the Bank has the responsibilities given below:

- Definition of the bank's risk tolerance towards the interest rate risks;
- Implementation of the guidelines of identification, measurement, monitoring and control of the interest rate risks;

- Periodical revision of the results of the bank's fixed-income investment and trading portfolio and assess the market risk strategy.
- Periodically submit reports to the bank's supervisory board regarding interest risk management in the bank.
- Supply of the qualified staff and technical resources to the interest risk bearing and managing structural units.

Determination of the risk level that the bank can assume shall be the key element of the bank's interest rate risk policy. The interest rate risk tolerance and appetite shall be defined according to the capital of the bank and commonly, in consideration of its risk tolerance.

The risk arising from the interest rate change due to various terms of the interest earning assets and interest-bearing liabilities is a key aspect of the interest risk. In order to measure the above mentioned risk, the bank employs the "revaluation gap" method involving comparison of the same term assets and liabilities by their amounts. A potential loss arises when there is a gap (in terms of sums) between the same term interest-earning assets and the interest-bearing liabilities and the market interest rate changes.

The bank prepares the pricing model for each individual interest rate bearing asset, which considers every parameter participating in building the interest rate.

10.5: FX Risk Management

The FX risk is the risk of reducing net foreign currency denominated assets or the increase of net foreign currency denominated liabilities, caused by exchange rate fluctuations, which reduces bank's regulatory capital.

The top-down management of the FX Risk starts from the Supervisory Board of the Bank, who is responsible for the setting the FX Risk Appetite as well as FX Risk Management General Framework, the Board of Directors is responsible for fulfilling the set requirements. Regarding the FX risk management, the Risks Committee of the Bank has the responsibilities given below:

- Defining the bank risk tolerance level towards FX risks;
- Providing the establishment of main (fundamental) principles of detecting, measuring, monitoring and controlling of FX risks;
- Determining the Bank's limits for open foreign-currency position for various currencies;
- Periodically evaluating Bank's currency position in current cash assets as well as in long term credit investments;
- Periodically request FX risk management report;

For the purpose of FX risk management, the Bank determines the following limits: Common open foreign-currency positions limit for all foreign currencies, both according to on-balance sheet and off-balance sheet as well as the overall FX positions, shall not exceed 20% of the Bank's regulatory capital.

10.6: Liquidity Risk Management

The liquidity Risk is a risk associated with the Bank's ability to meet its liabilities when they are due without disposing of assets with significant discount. The top-down management of the Liquidity Risk starts from the

Supervisory Board of the Bank, who is responsible for the setting the Liquidity Risk Appetite as well as Liquidity Risk Management General Framework, the Board of Directors is responsible for fulfilling the set requirements.

The liquidity management is mainly based on the monitoring and satisfying of the standards set by the regulatory requirement of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The systematic forecast of cash flows is conducted in the bank based on individual assessment of significant inflows and outflows and statistical analysis of liabilities and liquid funds.

The Financial Risk Management Division of the risk management department together with the Asset-Liability Management Division of the treasury department analyze general economic and market conditions as well as possible effect on the bank's liquidity positions based on the information available about the funding sources.

10.7: Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

The top-down management of the Operational Risk starts from the Supervisory Board of the Bank, who is responsible for the setting the Operational Risk Appetite as well as Operational Risk Management General Framework, the Board of Directors is responsible for fulfilling the set requirements.

Operational risk arises due to the bank's day to day operations and is relevant to every aspect of the business. The bank identifies, assesses, and manages its operational risks through the following processes and tools:

- **Operational Risk Event Reporting** – this is the process of reporting losses arising from operational risks, process failure and other non-monetary events. These events are captured and logged centrally and are analysed to pro-actively manage risk through root cause analysis.
- **Scenario Analysis (RCA)** – this process seeks to identify the high impact, low likelihood but plausible events that could impact the bank and also estimate the respective severities and probabilities used across main risk categories to ensure that the bank can adequately understand and quantify not only risks as they currently exist, but also those in extreme circumstances. The analysis focuses on high impact, low probability events.
- **Risk Acceptance** – the first line and department heads are expected to identify risks, risk issues or control failings that need to be mitigated. In certain circumstances, risk mitigation may not be possible or may require a longer period for remediation. In such cases, the risk must be accepted. This process supports this need and describes the approach for raising, accepting, monitoring and reporting a Risk Acceptance.
- **New Risk Assessment** – this process enables the operational risk assessment before adopting any change, which supports the risk profile control against the Risk Appetite.

The output from the above processes is analysed in order to give a view of the operational risks to which the bank is exposed considering its risk appetite. Consequently, operational risks are mitigated or accepted (as required) in order to be taken into account into the business activities and strategy of the bank.

Because of the technological updates, the framework of the operational risk management constantly expands.

11. ESG Risk Management

Cartu Bank attaches great importance to the integration of sustainable finance principles into its activities and believes that the consideration of Environmental, Social and Governance (ESG) factors is an important prerequisite for financial stability, long-term growth and effective risk management. The identification, assessment and management of ESG risks are carried out in accordance with international practice and local regulations and are integrated into the overall risk management framework of the Bank, both at the level of strategic planning and daily operational activities.

The Bank manages ESG risks based on the principle of double materiality, which implies the impact of environmental and social factors on the Bank's financial position, as well as the impact of the Bank's activities on the environment and society. This approach ensures the assessment of ESG risks both in the context of individual transactions and portfolio and strategic planning.

ESG risk management is implemented at two main levels: within the Bank's own non-credit operations, where the Bank assesses its own environmental and social impacts, and at the loan portfolio level, where the ESG risks of the financed assets are identified, assessed and monitored.

The Bank believes that ESG risks do not constitute an independent risk category and their impact is materialized through traditional financial risks, including credit, market, operational and reputational risks. Particular attention is paid to environmental risks, which manifest themselves through both physical and transient factors. These risks may affect financial condition of borrowers, collateral values, sectoral concentrations and portfolio quality.

ESG risk management is implemented within an integrated governance framework. The Supervisory Board determines the risk appetite and provides oversight, while the Management Board ensures the practical implementation of the ESG policy. ESG risk management is based on a Three Lines of Defense model, where the first line is represented by business lines, the second by the risk management function, and the third by internal audit.

Within its own operations, the Bank implements measures to reduce its environmental impact and improve resource efficiency, including the introduction of energy-efficient technologies, the use of more environmentally sustainable means of transport, the development of waste management practices, the integration of ESG factors in the procurement process and the digitalization of operational processes. The Bank also participates in environmental and social initiatives and promotes awareness among employees regarding these issues.

The Bank is gradually recording and analyzing data related to Greenhouse Gas emissions within the framework of its operational activities. This process includes classifying emissions according to Scope 1, Scope 2 and Scope 3 categories. The Bank is gradually developing the processes for collecting and analyzing this data and is considering expanding the Scope 3 category, including in the direction of assessing emissions related to the loan portfolio.

At the loan asset level, the Bank conducts an ESG risk assessment for all business transactions, both at the credit decision-making stage and during the subsequent monitoring process. ESG assessment is an integral part of the credit analysis and is considered together with other financial and non-financial parameters.

During the assessment process, transactions are screened against the Exclusion List and categorized based on loan characteristics of the loan and the ESG risk profile of the financed activity. When determining ESG risk, the Bank

12. Important Updates

In the second quarter of 2025, the Bank successfully launched cooperation with the London Stock Exchange Group (LSEG) to diversify its existing software systems, including treasury operations and anti-money laundering screening;

On September 26, 2025, based on its analysis, the international rating agency S&P Global Ratings upgraded the Bank's long-term credit rating from B to B+, with a stable outlook;

On September 30, 2025, the Tabori branch of the Mtatsminda Service Center was opened;

In the fourth quarter of 2025, the Bank signed an agreement with 360 Treasury Systems AG, a company within the Deutsche Borse Group, which ensures further diversification of channels for foreign exchange and money market operations;

In the fourth quarter of 2025, the Bank successfully implemented the new SWIFT ISO 20022 standard for foreign currency payment orders. The new standard provides a universal and structured format for financial messaging, improving data quality, risk management, and regulatory compliance, while also enhancing the speed and transparency of transactions.

13. Information About Remuneration

All members of the Supervisory Board get remuneration. Information about 2025 year remuneration is given in Pillar 3 annual report, Appendix 24.Rem1.

Supervisory board determines the remuneration of members of management board. Information about 2025 year remuneration is given in Pillar 3 annual report, Appendix 24.Rem1.

For identifying other Material Risk Takers bank has Policy/Instruction for identification of the Material Risk Takers on place, which itself is based on the Corporate Governance Code for Commercial Banks, approved by the order 215/04 of the President of National Bank of Georgia on September 26, 2018, Guideline for Identifying the Material Risk Takers of National Bank of Georgia and the European Bank Authority Guideline. Information about other MRTs identified by the bank as well as the remuneration for the year 2025 can be found in the appendix of the Pillar 3 annual report.

Stock related instruments are not involved in the bank's remuneration system. None of the employees total remuneration has exceeded 1 million GEL during the reporting year.