

JSC Cartu Bank

Consolidated financial statements

Year ended 31 December 2025

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Independent auditor's report

To the Shareholder and Supervisory Board of JSC Cartu Bank

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of JSC Cartu Bank and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2025 and its consolidated financial performance and its consolidated 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 consolidated financial statements* section of our report. We are independent of the Group 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 consolidated 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.

Other information included in the Group's 2025 Management Report

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

Our opinion on the consolidated 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 consolidated financial statements.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Supervisory Board for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern;



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- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- ▶ Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board 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 consolidated financial statements are prepared is consistent with the consolidated 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)

8 May 2026

Tbilisi, Georgia

Consolidated statement of financial position**For the year ended 31 December 2025***(thousands of Georgian lari)*

	<i>Notes</i>	31 December 2025	31 December 2024
Assets			
Cash and cash equivalents	5	374,309	438,468
Amounts due from credit institutions	6	262,971	352,948
Loans to customers	7	1,148,401	1,068,159
Investment securities	8	76,561	67,917
Property and equipment	9	15,029	14,125
Right of use assets	10	8,580	8,229
Intangible assets	11	16,173	10,406
Current income tax asset	15	5,726	10,399
Reinsurance contract assets		5,282	2,766
Other assets	12	49,654	49,009
Total assets		1,962,686	2,022,426
Liabilities			
Amounts due to credit institutions		96	9
Amounts due to customers	13	1,357,194	1,460,862
Deferred income tax liability	15	2,767	2,429
Lease liabilities	10	9,028	8,488
Insurance contract liabilities		6,796	3,836
Reinsurance contract liabilities		–	425
Provisions	17	404	620
Subordinated debt	14	81,281	85,638
Other liabilities	12	11,992	7,018
Total liabilities		1,469,558	1,569,325
Equity			
Share capital	16	114,430	114,430
Additional paid-in capital	16	23,846	23,846
Retained earnings and other reserves	16	353,363	313,519
Total equity attributable to shareholders of the Bank		491,639	451,795
Non-controlling interests		1,489	1,306
Total equity		493,128	453,101
Total equity and liabilities		1,962,686	2,022,426

Signed and authorized for release on behalf of the Board of Directors of the Bank on 8 May 2026

Zurab Gelenidze

Chief Executive Officer

Givi Lebanidze

Chief Financial Officer

The accompanying notes on pages 8 to 46 are an integral part of these Consolidated financial statements

Consolidated statement of financial position**For the year ended 31 December 2025***(thousands of Georgian lari)*

	Notes	31 December 2025	31 December 2024
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Signed and authorized for release on behalf of the Board of Directors of the Bank on 8 May 2026

Zurab Gelenidze

Chief Executive Officer

Givi Lebanidze

Chief Financial Officer

Consolidated statement of comprehensive income**For the year ended 31 December 2025***(thousands of Georgian lari)*

	<i>Notes</i>	2025	2024
Interest revenue calculated using effective interest rate			
Loans to customers		101,540	82,198
Investment securities		7,151	6,802
Amounts due from credit institutions		14,510	21,723
Other interest income		111	262
		123,312	110,985
Interest expense			
Amounts due to credit institutions		(1)	(1)
Amounts due to customers		(32,273)	(27,935)
Subordinated debt		(5,882)	(5,852)
Lease liabilities		(748)	(634)
		(38,904)	(34,422)
Net interest income			
		84,408	76,563
Credit loss recovery/(expense) on interest bearing assets	18	6,737	(12,767)
Net interest income after credit losses		91,145	63,796
Fee and commission income	19	11,022	9,157
Fee and commission expense	19	(7,180)	(5,270)
Net gains/(losses) from foreign currencies			
- <i>dealing</i>		12,287	11,161
- <i>translation differences</i>		(1,939)	1,223
Insurance revenue		6,904	6,616
Result from reinsurance contracts held		1,518	(1,193)
Insurance service expenses		(6,576)	(3,264)
Other income, net	20	1,413	13,164
Non-interest income		17,449	31,594
Personnel expenses	21	(30,763)	(25,834)
Other operating expenses	21	(22,991)	(20,651)
Depreciation and amortisation	9,10,11	(6,153)	(5,037)
Other reversal of impairment/(Impairment and provisions)	18	566	1,101
Non-interest expenses		(59,341)	(50,421)
Profit before income tax		49,253	44,969
Income tax expense	15	(9,173)	(8,617)
Net profit for the period		40,080	36,352
Attributable to:			
shareholders of the Parent		39,897	36,291
non-controlling interests		183	61
		40,080	36,352
Other comprehensive income that will be reclassified to the income statement			
Movement in fair value reserve for investment securities measured at fair value through other comprehensive income	8	(53)	10
Total comprehensive income for the year		40,027	36,362
Attributable to:			
shareholders of the Parent		39,844	36,301
non-controlling interests		183	61

The accompanying notes on pages 8 to 46 are an integral part of these Consolidated financial statements

Consolidated statement of changes in equity**For the year ended 31 December 2025***(thousands of Georgian lari)*

	<i>Attributable to shareholders of the Group</i>					<i>Total equity</i>
	<i>Share capital</i>	<i>Additional paid in capital</i>	<i>Retained earnings and other reserves</i>	<i>Total</i>	<i>Non-controlling interests</i>	
1 January 2024	114,430	25,764	275,300	415,494	1,245	416,739
Profit for the year	–	–	36,291	36,291	61	36,352
Other comprehensive income for the year (Note 8)	–	–	10	10	–	10
Total comprehensive income for the year	–	–	36,301	36,301	61	36,362
Transfer of the portion of additional paid-in capital associated with the extinguished subordinated debts (Note 16)	–	(1,918)	1,918	–	–	–
31 December 2024	114,430	23,846	313,519	451,795	1,306	453,101
Profit for the year	–	–	39,897	39,897	183	40,080
Other comprehensive income/(loss) for the year (Note 8)	–	–	(53)	(53)	–	(53)
Total comprehensive income for the year	–	–	39,844	39,844	183	40,027
31 December 2025	114,430	23,846	353,363	491,639	1,489	493,128

The accompanying notes on pages 8 to 46 are an integral part of these Consolidated financial statements.

Consolidated statement of cash flows**For the year ended 31 December 2025***(thousands of Georgian lari)*

	<i>Notes</i>	2025	2024
Cash flows from operating activities:			
Profit before income tax		49,253	44,969
Adjustments for non-cash Items:			
(Recovery)/Provision for impairment losses on interest bearing assets	18	(6,737)	12,767
(Recovery)/Provision for impairment losses on non-interest bearing assets	18	(554)	(85)
(Recovery)/Provision on other operations	18	(216)	355
(Reversal)/Impairment of repossessed assets	12	204	(1,371)
Modification (gain)/loss	7	3,511	2,672
Net gain on disposal of property and equipment	20	(19)	(1,131)
Net gain on disposal of repossessed assets	20	(640)	(11,612)
Depreciation and amortization expense	9,10,12	6,153	5,037
Change in interest accruals, net	2	(163)	(87)
(Gain)/loss on foreign exchange operations from translation differences		1,939	(1,223)
Cash inflow from operating activities before changes in operating assets and liabilities		52,731	50,291
Changes in operating assets and liabilities			
Amounts due from credit institutions		87,106	20,663
Loans to customers		(90,314)	(230,655)
Other assets		(5,475)	(10,570)
Amounts due to credit institutions		98	1
Amounts due to customers		(96,563)	(139,514)
Other liabilities		7,270	(7,650)
Cash inflow from operating activities before taxation		(45,147)	(317,434)
Income tax paid		(4,163)	(24,731)
Net cash inflow/(outflow) from operating activities		(49,310)	(342,165)
Cash flows from investing activities:			
Purchase of property and equipment	9	(2,685)	(2,162)
Purchase of intangible assets	11	(8,086)	(3,062)
Proceeds from sale of property and equipment	9	28	1,430
Proceeds from sale of repossessed assets	12	3,058	67,536
Proceeds from investments securities at amortised cost	8	9,000	-
Acquisition of investments securities at amortised cost	8	(24,710)	(5,000)
Acquisition of investments securities at FVOCI	8	(8)	-
Proceeds from investments securities at FVOCI	8	7,000	-
Net cash (outflow)/inflow from investing activities		(16,403)	58,742
Cash flows from financing activities:			
Payment of lease liabilities	10	(1,872)	(1,491)
Net cash outflow from financing activities		(1,872)	(1,491)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		3,426	23,056
Net increase/(decrease) in cash and cash equivalents		(64,159)	(261,858)
Cash and cash equivalents, beginning	5	438,468	700,326
Cash and cash equivalents, ending	5	374,309	438,468

During 2025 the Group received GEL 118,282 interest (2024: GEL 107,144) and paid interest of GEL 42,956 (2024: GEL 31,855).

Material non-cash transactions:

- ▶ In 2025 change in other assets includes repossession of collaterals in amount of GEL 2,883 (2024: GEL 10,172).

The accompanying notes on pages 8 to 46 are an integral part of these Consolidated financial statements.

(thousands of Georgian lari)

1. Principal activities

Joint Stock Company Cartu Bank (the “Bank”) was incorporated in Georgia in 1996. The Bank is regulated by the National Bank of Georgia (the “NBG”) and conducts its business under general license number 229.

The Bank’s primary business consists of commercial activities, originating loans and guarantees, investing in securities, trading foreign currencies and taking deposits.

The registered office of the Bank is located on 39a Chavchavadze Avenue, Tbilisi, Georgia.

As at 31 December 2025, the Bank had four service centers, one division and two customer service offices operating in Tbilisi, division in Shekviteli and service centers in Gori, Telavi, Kutaisi and Batumi.

As at 31 December 2024, the Bank had four service centers and two division operating in Tbilisi, division in Shekviteli and service centers in Gori, Telavi, Kutaisi and Batumi.

The Bank is the parent company of the group (the “Group”), which consists of the following entities:

Name	Country of operation	Legal address	Ownership interest (%)		Type of operation
			2025	2024	
Cartu Broker LLC	Georgia	39a Ilia Chavchavadze av. Tbilisi	100.00%	100.00%	Brokerage
Insurance Company Cartu JSC	Georgia	39a Ilia Chavchavadze av. Tbilisi	91.39%	91.39%	Insurance
Investment Company Cartu Invest LLC	Georgia	39a Ilia Chavchavadze av. Tbilisi	100.00%	100.00%	Dormant
Geoplast LLC	Georgia	Village didi Lilo, Isani–Samgori, Tbilisi	100.00%	100.00%	Dormant

As at 31 December 2025 and 2024 International Charity Foundation Cartu (the “Parent” or the “Shareholder”) owned 100% of the Group’s shares.

As at 31 December 2025 and 2024, Uta Ivanishvili holds 35% of the ownership, the remaining shares are held by multiple individuals, each holding less than 5%. No single shareholder, apart from Uta Ivanishvili, holds a sufficient interest to exercise control or significant influence over the Bank.

These consolidated financial statements have not yet been approved by the Parent on the general meeting of shareholders of the Group. The shareholders have the power and authority to amend the consolidated financial statements after the issuance.

2. Basis of preparation

General

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

These consolidated financial statements are presented in Georgian lari (“GEL”), all values are rounded to the nearest thousand GEL, except when otherwise indicated.

The Group has prepared its consolidated financial statements on the basis that it will continue to operate as a going concern.

3. Summary of material accounting policies

Changes in accounting policies

The Group has not early adopted any new standards, interpretations or amendments that have been issued but are not yet effective in these consolidated financial statements.

The following amendments to existing IFRS accounting standards became effective for annual periods beginning on 1 January 2025:

- ▶ Lack of Exchangeability– Amendments to IAS 21 (*The Effects of Changes in Foreign Exchange Rates*);

None of these amendments had an impact on the Group’s consolidated financial statements at 31 December 2025.

(thousands of Georgian lari)

3. Summary of material accounting policies (continued)

Standards issued but not yet effective

New and amended standards and interpretations that are issued but not yet effective are being assessed by the Group to determine the impact on the separate financial statements. As explained above, 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.

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 is currently performing an assessment of all material electronic payment systems, in order to assess whether the amendments will result in a material change with respect to current practices and whether it meets the conditions to apply the accounting policy option to derecognise such financial liabilities before the settlement date. Moreover, the Bank is reviewing all its other payment systems (such as, credit cards, debit cards) to ensure that the corresponding financial assets are derecognised when the right to cash flows are extinguished and that the corresponding financial liabilities are derecognised on settlement date.

In addition, the Group is assessing the impact of the Amendments on its financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features, as well as on non-recourse financing and contractually linked instruments. Based on the initial assessment performed, the amendments in these areas are not expected to have a material impact on the financial statements, however, the assessment is yet to be concluded.

The Group is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

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.

It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

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.

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the consolidated financial statements and notes to the consolidated financial statements.

(thousands of Georgian lari)

3. Summary of material accounting policies (continued)

Basis of consolidation

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Fair value measurement

Fair values of financial instruments measured at amortised cost are disclosed in Note 23.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

For assets and liabilities that are recognised in consolidated financial statements on a recurring basis, the Group 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.

Financial assets and liabilities

Guarantees

Guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Guarantees are in scope of IFRS 9 and effectively are a form of a contingent loan commitment.

Provision for Performance guarantees are measured under IFRS 9.

Renegotiated loans

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

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

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

(thousands of Georgian lari)

3. Summary of material accounting policies (continued)

Renegotiated loans (continued)

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

For modifications not resulting in derecognition, the Group also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the National Bank of Georgia, excluding mandatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Mandatory reserve deposit with the NBG

Mandatory reserve deposits with the NBG are carried at amortised cost and represent interest bearing mandatory reserve deposits which are not available to finance the Group's day to day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows. Mandatory reserve is included in amounts due from credit institutions.

Taxation

The current income tax expense is calculated in accordance with the regulations of Georgia.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (applicable to undistributed profits) and tax laws, that have been enacted or substantively enacted by the end of the reporting period.

Georgia also has various operating taxes that are assessed on the Group's activities. These taxes are included as a component of other operating expenses.

Leases

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment.

Depreciation is calculated on a straight-line basis using the following annual depreciation rates:

Buildings and other real estate	2-3%
Furniture and office fixtures	10-20%
Computers and office equipment	10-33%
Other	5-20%

(thousands of Georgian lari)

3. Summary of material accounting policies (continued)

Intangible assets

Intangible assets include computer software and licenses.

As at 31 December 2025 and 2024 the Group did not own intangible assets with indefinite useful lives.

Intangible assets are amortised over the useful economic lives of 5–10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with indefinite useful lives are reviewed at least at each financial year–end.

Repossessed Assets

Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell. The Group reviews the carrying value of repossessed assets at each reporting date and recognises any impairment loss where the carrying amount exceeds fair value less costs to sell. Any subsequent increase in fair value less costs to sell is recognised only to the extent of previously recognised impairment losses.

Provisions

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

Contingencies

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

Share capital

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

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue. All expenses associated with dividend distribution are added to dividend amount and recorded directly through equity.

Recognition of income and expenses

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

Interest and similar income and expense

The Group calculates interest revenue on debt financial assets measured at amortized cost by applying the effective interest rate (EIR) to the gross carrying amount of financial assets other than credit-impaired assets. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest revenue or expense.

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

(thousands of Georgian lari)

3. Summary of material accounting policies (continued)

Recognition of income and expenses (continued)

Fee and commission income

The Group earns fee and commission income from several types of services it provides to its customers. Fee income can be divided into the following categories:

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

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income on guarantees and letters of credit. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income earned at a point in time

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

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as where the Group's performance obligation is the arrangement of the acquisition of shares or other securities – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to certain performance obligations are recognised after fulfilling the corresponding criteria. When the contract provides for a variable consideration, fee and commission income is only recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur until the uncertainty associated with the variable consideration is subsequently resolved.

Foreign currency translation

These consolidated financial statements are presented in thousands of Georgian lari ("GEL"), which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBG exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The official GEL exchange rates at 31 December 2025 and 2024 were 2.6951 GEL and 2.8068 GEL to 1 USD, respectively, 3.1737 GEL and 2.9306 GEL to 1 EUR, respectively.

Insurance contracts

Level of aggregation

The Group identifies portfolios of insurance contracts. A portfolio of insurance contracts is defined as insurance contracts that are subject to similar risks and managed together. Portfolios are further disaggregated into profitability-based groups of insurance contracts that are, on initial recognition: (a) onerous, if any, (b) profitable, with no significant possibility of subsequently becoming onerous, if any, and (c) remaining contracts, if any. IFRS 17 prohibits to include contracts issued more than one year apart in the same group, a requirement commonly referred to as annual cohort requirement.

Contract boundary

The contract boundary concept is used to determine which cash flows are considered in the measurement of an insurance contract. Cash flows that are not within the boundary of an insurance contract relate to future insurance contracts. The Group generally determines the contract boundary with a reference to its ability to reprice the insurance contract as a whole.

Expected future cash flows

Included in the measurement of each group of contracts within the scope of IFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Group uses information about past events, current conditions, and forecasts of future conditions.

(thousands of Georgian lari)

3. Summary of material accounting policies (continued)

Insurance contracts (continued)

Premium Allocation Approach

The Group uses premium allocation approach (PAA). When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. The Group does not consider effect of time value of money on a carrying value of insurance liability for the remaining term, as at initial recognition the group assumes that time between performance of the service and payment of related premium is less than 12 months.

For limited number of insurance and reinsurance contracts which have term more than one year, group chooses PPA approach after review of contracts, as the group does not expect that that remaining insurance term (after 12 months) liability to be materially different from basic valuation model

4. Significant accounting judgments and estimates

Estimation uncertainty

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in consolidated financial statements. The most significant use of judgments and estimates are as follows:

Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires, judgement, in particular the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- ▶ The Group's model which assigns PDs to the individual grades;
- ▶ The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL (LTECL) basis;
- ▶ The segmentation of financial assets when their ECL is assessed on a collective basis;
- ▶ Development of ECL models, including the various formulae and the choice of inputs;
- ▶ Determination of relationship between borrowers' financials and, macroeconomic inputs, such as GDP growth rate, foreign exchange rates and inflation rate, and the effect on PDs, EADs and LGDs;
- ▶ Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models,
- ▶ Assessing values of collaterals, including the assessment of timing of cash inflows from collaterals.

The Group calculates impairment losses on cash and cash equivalents, amounts due from credit Institutions, loans to customers, investment securities, other financial assets, unused credit lines and issued guarantees which are disclosed in Notes 5, 6, 7, 8, 12 and 17 respectively.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded or disclosed in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 23.

Valuation of repossessed assets

The valuation of repossessed assets is carried out on regular basis by an independent firm of valuers which holds a recognised and relevant professional qualification and who have recent experience in valuation of assets of similar location and category. The values of most of the assets have been estimated using the market approach. Additional details are provided in Note 12.

(thousands of Georgian lari)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2025	2024
Cash on hand	33,094	34,764
Current accounts with the NBG	13,307	5,861
Current accounts with other credit institutions	297,976	351,864
Time deposits with credit institutions up to 90 days	30,000	46,000
Less: allowance for impairment	(68)	(21)
Cash and cash equivalents	374,309	438,468

As at 31 December 2025, current accounts and time deposit accounts with credit institutions denominated in USD, EUR, GEL and other currencies represent 61.33%, 25.67%, 9.42% and 3.58% of total current and time deposit accounts respectively (31 December 2024: USD 72.17%, EUR 26.1%, GEL 0.06%, other currencies 1.67%).

All balances of cash equivalents are held at amortized cost and are allocated to Stage 1.

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2025	2024
Mandatory reserve with the NBG	258,629	349,365
Time deposits for more than 90 days	4,394	3,656
Less: allowance for impairment	(52)	(73)
Amounts due from credit institutions	262,971	352,948

In 2025 the credit institutions are required to maintain a mandatory interest earning cash deposit with the NBG at the level of 5% and 25% (2024: 5% and 25%) of the average of funds attracted from customers and non-resident financial institutions for the appropriate two-week period in GEL and foreign currencies, respectively.

An analysis of changes in the gross carrying value in relation to amounts due from credit institutions (excluding mandatory reserves with the NBG) during the year ended 31 December 2025 is as follows:

	Gross carrying value
As at 1 January 2025	3,656
New assets originated	753
Foreign exchange and other movements	(15)
At 31 December 2025	4,394

An analysis of changes in the gross carrying value in relation to amounts due from credit institutions during the year ended 31 December 2024 is as follows:

	Gross carrying value
As at 1 January 2024	92,868
New assets originated	2,712,000
Assets repaid	(2,802,326)
Foreign exchange and other movements	1,114
At 31 December 2024	3,656

All balances of amounts due from credit institutions are held at amortized cost and are allocated to Stage 1.

(thousands of Georgian lari)

7. Loans to customers

Loans to customers comprise:

	2025	2024
Corporate loans	1,137,464	1,090,955
Loans to individuals	44,717	36,721
Gross loans to customers at amortized cost	1,182,181	1,127,676
Less: allowance for impairment	(33,780)	(59,517)
Loans to customers at amortized cost	1,148,401	1,068,159

An analysis of changes in the gross carrying value in relation to corporate lending during the year ended 31 December 2025 is as follows:

Corporate loans at amortized cost, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2025	807,185	140,925	141,568	1,277	1,090,955
New assets originated or purchased	721,473	–	–	–	721,473
Assets repaid or derecognised	(603,150)	(11,979)	(29,930)	(210)	(645,269)
Resegmentation	37	–	–	–	37
Transfers to Stage 1	14,868	(14,868)	–	–	–
Transfers to Stage 2	(10,163)	15,500	(5,337)	–	–
Transfers to Stage 3	–	–	–	–	–
Unwinding of discount	–	–	1,724	–	1,724
Changes to contractual cash flows due to modifications not resulting in derecognition	(2,219)	(653)	(638)	–	(3,510)
Recoveries	–	–	309	–	309
Amounts written off	–	–	(21,426)	–	(21,426)
Foreign exchange and other movements	1,302	(6,764)	(1,319)	(48)	(6,829)
At 31 December 2025	929,333	122,161	84,951	1,019	1,137,464

Corporate loans at amortized cost, allowance for ECL	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2025	4,277	11,951	42,616	6	58,850
New assets originated or purchased	4,468	–	–	–	4,468
Assets repaid or derecognised	(3,101)	(501)	(2,164)	(1)	(5,767)
Resegmentation	1	–	–	–	1
Transfers to Stage 1	55	(55)	–	–	–
Transfers to Stage 2	(130)	156	(26)	–	–
Transfers to Stage 3	–	–	–	–	–
Impact on period end ECL of exposures transferred between stages during the period	(48)	184	–	–	136
Unwinding of discount	–	–	1,724	–	1,724
Changes due to modifications not resulting in derecognition	(4)	(38)	(290)	–	(332)
Recoveries	–	–	309	–	309
Amounts written off	–	–	(21,426)	–	(21,426)
Foreign exchange and other movements	(1,110)	(2,142)	(1,426)	–	(4,678)
At 31 December 2025	4,408	9,555	19,317	5	33,285

(thousands of Georgian lari)

7. Loans to customers (continued)

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

Loans to individuals at amortized cost, gross	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2025	33,187	1,634	1,900	36,721
New assets originated	36,386	–	–	36,386
Assets repaid or derecognised	(26,337)	(807)	(477)	(27,621)
Resegmentation	(37)	–	–	(37)
Transfers to Stage 1	142	(142)	–	–
Transfers to Stage 2	(1,630)	1,851	(221)	–
Transfers to Stage 3	(14)	(1,342)	1,356	–
Unwinding of discount	–	–	18	18
Changes to contractual cash flows due to modifications not resulting in derecognition	(1)	–	–	(1)
Recoveries	–	–	709	709
Amounts written off	–	–	(126)	(126)
Foreign exchange and other movements	(449)	(30)	(853)	(1,332)
At 31 December 2025	41,247	1,164	2,306	44,717

Loans to individuals at amortized cost, allowance for ECL	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2025	259	44	364	667
New assets originated	126	–	–	126
Assets repaid or derecognised	(202)	(9)	(93)	(304)
Resegmentation	(1)	–	–	(1)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(3)	13	(10)	–
Transfers to Stage 3	–	(34)	34	–
Impact on period end ECL of exposures transferred between stages during the period	–	5	8	13
Unwinding of discount	–	–	18	18
Changes due to modifications not resulting in derecognition	–	–	–	–
Recoveries	–	–	710	710
Amounts written off	–	–	(126)	(126)
Foreign exchange and other movements	(21)	(7)	(580)	(608)
At 31 December 2025	158	12	325	495

The contractual amount of written-off loans during the period that are still subject to enforcement actions as of year ended 31 December 2025, is approximately GEL 5,131 (as of year ended 2024: approximately GEL 2,213). These loans remain under active legal or collection procedures, and the Group continues to pursue recovery.

Interest income from loans to customers for the year ended 31 December 2025 includes GEL 1,083 (2024: GEL 1,422) representing loan origination, restructuring, commitment and prolongation fees.

An analysis of changes in the gross carrying value in relation to corporate lending during the year ended 31 December 2024 is as follows:

Corporate loans at amortized cost, gross	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying value as at 1 January 2024	671,722	26,035	149,284	1,439	848,480
New assets originated or purchased	756,910	–	–	–	756,910
Assets repaid or derecognised	(508,496)	(2,647)	(23,886)	(211)	(535,240)
Resegmentation	1,764	–	54	–	1,818
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	(126,450)	126,450	–	–	–
Transfers to Stage 3	(4,104)	(12,385)	16,489	–	–
Unwinding of discount	–	–	1,997	–	1,997
Changes to contractual cash flows due to modifications not resulting in derecognition	(2,128)	(24)	(517)	–	(2,669)
Recoveries	–	–	148	–	148
Amounts written off	–	–	(4,125)	–	(4,125)
Foreign exchange and other movements	17,967	3,496	2,124	49	23,636
At 31 December 2024	807,185	140,925	141,568	1,277	1,090,955

(thousands of Georgian lari)

7. Loans to customers (continued)

Corporate loans at amortized cost, allowance for ECL	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2024	4,483	941	42,614	7	48,045
New assets originated or purchased	4,927	–	–	–	4,927
Assets repaid or derecognised	(2,684)	(105)	(6,331)	(1)	(9,121)
Resegmentation	25	–	29	–	54
Transfers to Stage 1	–	–	–	–	–
Transfers to Stage 2	(1,578)	1,578	–	–	–
Transfers to Stage 3	(19)	(174)	193	–	–
Assets Derecognised excl write offs	–	–	–	–	–
Impact on period end ECL of exposures transferred between stages during the period	–	5,046	1,987	–	7,033
Unwinding of discount	–	–	1,997	–	1,997
Changes due to modifications not resulting in derecognition	(5)	2	(7)	–	(10)
Recoveries	–	–	148	–	148
Amounts written off	–	–	(4,125)	–	(4,125)
Foreign exchange and other movements	(872)	4,663	6,111	–	9,902
At 31 December 2024	4,277	11,951	42,616	6	58,850

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

Loans to individuals at amortized cost, gross	Stage 1	Stage 2	Stage 3	Total
Gross carrying value as at 1 January 2024	30,112	1,780	2,446	34,338
New assets originated	12,611	–	–	12,611
Assets repaid or derecognised	(7,027)	(252)	(316)	(7,595)
Resegmentation	(1,764)	–	(54)	(1,818)
Transfers to Stage 1	14	–	(14)	–
Transfers to Stage 2	(48)	48	–	–
Transfers to Stage 3	–	(4)	4	–
Unwinding of discount	–	–	15	15
Changes to contractual cash flows due to modifications not resulting in derecognition	(3)	–	–	(3)
Recoveries	–	–	31	31
Amounts written off	–	–	(128)	(128)
Foreign exchange and other movements	(708)	62	(84)	(730)
At 31 December 2024	33,187	1,634	1,900	36,721

Loans to individuals at amortized cost, allowance for ECL	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2024	341	19	510	870
New assets originated	103	–	–	103
Assets repaid or derecognised	(48)	(2)	(50)	(100)
Resegmentation	(25)	–	(29)	(54)
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(6)	6	–	–
Transfers to Stage 3	–	–	–	–
Impact on period end ECL of exposures transferred between stages during the period	–	18	1	19
Unwinding of discount	–	–	15	15
Changes due to modifications not resulting in derecognition	–	–	–	–
Recoveries	–	–	31	31
Amounts written off	–	–	(128)	(128)
Foreign exchange and other movements	(106)	3	14	(89)
At 31 December 2024	259	44	364	667

(thousands of Georgian lari)

7. Loans to customers (continued)

Modified and restructured loans

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan. The newly recognised loans are classified as Stage 1 for ECL measurement purposes unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The table below includes Stage 2 and 3 assets that were modified during the period, with the related modification gain/loss) incurred by the Bank.

	2025	2024
Loans modified during the period		
Amortised cost before modification	148,868	53,657
Net modification gain/(loss)	(1,290)	(541)
Loans modified since initial recognition		
Gross carrying amount at 31 December of loans for which loss allowance has changed to 12-month measurement during the period	1,640	–
Corresponding ECL	–	–

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The types of collateral normally obtained are charges over real estate properties, also cash covers and guarantees, provided by borrowers or third parties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

The following table provides the analysis of the loan portfolio by collateral types. For loans where various type of collateral is pledged, the most significant one is taken as a major type of collateral for the purpose of this allocation:

Type of collateral	Gross carrying amount at 31 December 2025	ECL as at 31 December 2025	Net carrying amount as at 31 December 2025
Loans collateralized by pledge of real estate	841,709	(21,112)	820,597
Loans collateralized by pledge of cash	111,613	(1)	111,612
Loans collateralized by pledge of equipment	148,722	(5,018)	143,704
Loans collateralized by pledge of Inventory	8,877	(680)	8,197
Other collateral	23,428	(155)	23,273
Unsecured loans	47,832	(6,814)	41,018
Total	1,182,181	(33,780)	1,148,401
Type of collateral	Gross carrying amount at 31 December 2024	ECL as at 31 December 2024	Net carrying amount as at 31 December 2024
Loans collateralized by pledge of real estate	836,155	(29,730)	806,425
Loans collateralized by pledge of cash	99,677	(2)	99,675
Loans collateralized by pledge of equipment	81,154	(10,308)	70,846
Loans collateralized by pledge of Inventory	27,081	(1,129)	25,952
Other collateral	20,058	(154)	19,904
Unsecured loans	63,551	(18,194)	45,357
Total	1,127,676	(59,517)	1,068,159

According to Bank's ECL methodology all stage 3 loans have 100% probability of default, thus the ECL calculation is solely based on collateral value. ECL of POCI loans is based on borrower financials, overdue days, and collateral. Without the collateral, all stage 3 would be impaired by 100%, and POCI loans would be impaired by 69.2%, which would translate to GEL 68,481 additional ECL as at 31 December 2025 (31 December 2024: GEL 101,313).

Management estimates that the fair value of collateral at the inception of the loans is at least equal to the carrying amounts of corresponding secured loans.

(thousands of Georgian lari)

7. Loans to customers (continued)

Concentration of loans to customers

As at 31 December 2025, the Group had a concentration of loans due from 10 major groups of borrowers in the total exposure of GEL 573,878 that represented 48.63% of the total gross loan portfolio (31 December 2024: GEL 530,908 with 47.17% of the gross loan portfolio). An allowance of GEL 10,241 (31 December 2024: an allowance of GEL 29,170) was recognised against these loans.

Loans are made within Georgia in the following industry sectors:

	<u>2025</u>	<u>2024</u>
Manufacturing	304,853	310,231
Construction	162,454	189,544
Trade and service	157,283	160,704
Energy/Petroleum related	124,461	59,945
Real estate management	89,660	116,785
Hospitality	83,495	41,475
Health care	68,790	51,749
Individuals	44,717	36,721
Agriculture	40,199	40,620
Telecommunications	38,066	54,135
Financial institutions	23,036	20,057
Other	45,167	45,710
Total	<u>1,182,181</u>	<u>1,127,676</u>

8. Investment securities

Investment securities comprise:

	<u>2025</u>	<u>2024</u>
Debt securities at amortised cost		
Treasury notes of the Ministry of Finance of Georgia	21,943	21,943
Treasury bills of the Ministry of Finance of Georgia	2,000	–
Debt securities of corporations	53,171	39,244
	<u>77,114</u>	<u>61,187</u>
Less: allowance for impairment	(729)	(539)
Debt securities at amortised cost	<u>76,385</u>	<u>60,648</u>
Equity securities at FVOCI	<u>2025</u>	<u>2024</u>
	<u>% of ownership</u>	
Investment in OJSC United Clearing Center	6.25%	54
Investment in JSC GCSD	0.27%	3
Investment in JSC United Finance Corporation	0.47%	119
Equity securities at FVOCI	<u>176</u>	<u>168</u>
Debt securities at FVOCI	<u>2025</u>	<u>2024</u>
Treasury notes of the Ministry of Finance	–	7,101
Debt securities at FVOCI	<u>–</u>	<u>7,101</u>

As of 31 December 2025, allowances for impairment of treasury notes was nil (2024: GEL 7).

The Bank has designated its investments in certain equity instruments at FVOCI. This designation is primarily driven by the Bank's participation in the Primary Dealer Pilot Program, a joint initiative by the Ministry of Finance of Georgia and the National Bank of Georgia aimed at developing the domestic government securities market. Given that these investments are not held for trading. The Bank considers the FVOCI designation to be the most appropriate representation of these holdings.

(thousands of Georgian lari)

8. Investment securities (continued)

During 2025, the debt securities measured at fair value through other comprehensive income (FVOCI) reached maturity and were fully redeemed. Changes in carrying value of debt securities at fair value through other comprehensive income during 2025 consists of increase in fair value amounted to GEL (53) and changes in carrying value of debt securities at fair value through other comprehensive income during 2024 consists of increase in fair value amounted to GEL 10.

An analysis of changes in the gross carrying value and associated ECL in relation to debt securities at amortized cost is as follows:

	<i>Treasury bills of the Ministry of Finance of Georgia</i>	<i>Treasury notes of the Ministry of Finance of Georgia</i>	<i>Debt securities of corporations</i>	<i>Total</i>
Gross carrying value as at 1 January 2025	–	21,943	39,244	61,187
New assets originated	2,000	–	22,710	24,710
Assets paid	–	–	(9,000)	(9,000)
Foreign exchange and other movements	–	–	217	217
At 31 December 2025	2,000	21,943	53,171	77,114
	<i>Treasury bills of the Ministry of Finance of Georgia</i>	<i>Treasury notes of the Ministry of Finance of Georgia</i>	<i>Debt securities of corporations</i>	<i>Total</i>
ECL as at 1 January 2025	–	61	485	546
New assets originated	–	–	441	441
Assets Paid	–	(7)	(174)	(181)
Foreign exchange and other movements	–	(2)	(75)	(77)
At 31 December 2025	–	52	677	729
	<i>Treasury bills of the Ministry of Finance of Georgia</i>	<i>Treasury notes of the Ministry of Finance of Georgia</i>	<i>Debt securities of corporations</i>	<i>Total</i>
Gross carrying value as at 1 January 2024	–	21,951	34,149	56,100
New assets originated	–	–	5,000	5,000
Foreign exchange and other movements	–	(8)	95	87
At 31 December 2024	–	21,943	39,244	61,187
	<i>Treasury bills of the Ministry of Finance of Georgia</i>	<i>Treasury notes of the Ministry of Finance of Georgia</i>	<i>Debt securities of corporations</i>	<i>Total</i>
ECL as at 1 January 2024	–	74	394	468
New assets originated	–	–	100	100
Foreign exchange and other movements	–	(13)	(9)	(22)
At 31 December 2024	–	61	485	546

All balances of investment securities that are held at amortized cost are allocated to Stage 1.

Interest income from investment securities for the year ended 31 December 2025 includes GEL 265 (2024: GEL 639) derived from investment securities measured at fair value through other comprehensive income (FVOCI)

(thousands of Georgian lari)

9. Property and equipment

The movements in property and equipment were as follows:

	<i>Buildings and other real estate</i>	<i>Furniture and fixtures</i>	<i>Computers and equipment</i>	<i>Leasehold improvements and other</i>	<i>Construction in progress</i>	<i>Total</i>
Cost						
1 January 2024	9,905	5,935	10,807	1,890	961	29,498
Additions	–	90	347	26	1,699	2,162
Reclassifications	–	69	(69)	–	–	–
Transfer	–	622	17	1,216	(1,855)	–
Disposals and write-offs	(234)	(306)	(794)	–	(65)	(1,399)
31 December 2024	9,671	6,410	10,308	3,132	740	30,261
Additions	–	253	2,059	234	139	2,685
Transfer	–	278	–	–	(278)	–
Disposals and write-offs	–	(45)	(676)	(519)	(8)	(1,248)
31 December 2025	9,671	6,896	11,691	2,847	593	31,698
Accumulated depreciation						
1 January 2024	2,953	4,362	7,218	1,077	–	15,610
Depreciation charge	252	350	860	164	–	1,626
Transfers	–	69	(69)	–	–	–
Disposals and write-offs	–	(306)	(794)	–	–	(1,100)
31 December 2024	3,205	4,475	7,215	1,241	–	16,136
Depreciation charge	252	406	801	314	–	1,773
Disposals and write-offs	–	(45)	(676)	(519)	–	(1,240)
31 December 2025	3,457	4,836	7,340	1,036	–	16,669
Net book value						
1 January 2024	6,952	1,573	3,589	813	961	13,888
31 December 2024	6,466	1,935	3,093	1,891	740	14,125
31 December 2025	6,214	2,060	4,351	1,811	593	15,029

As at 31 December 2025 fully depreciated items amounted GEL 8,214 (31 December 2024: GEL 8,411).

10. Leases

The movement in right-of-use assets and lease liabilities were as follows:

	<i>Right of use assets – Buildings</i>	<i>Lease liabilities</i>
As at 1 January 2025	8,229	8,488
Additions	2,412	2,412
Depreciation expense	(2,061)	–
Interest expense	–	748
Payments	–	(2,620)
As at 31 December 2025	8,580	9,028
	<i>Right of use assets – Buildings</i>	<i>Lease liabilities</i>
As at 1 January 2024	7,160	7,167
Additions	2,812	2,812
Depreciation expense	(1,743)	–
Interest expense	–	634
Payments	–	(2,125)
As at 31 December 2024	8,229	8,488

The Bank recognized rent expense of GEL 260 from short-term and low value operating leases for the period ended 31 December 2025 (2024: GEL 240). Total lease payment for the reporting period is GEL 2,880 (2024: GEL 2,365).

(thousands of Georgian lari)

11. Intangible assets

The movements in intangible assets were as follows:

	<i>Licenses</i>	<i>Computer software</i>	<i>Total</i>
Cost			
1 January 2024	6,985	6,728	13,713
Additions	913	2,149	3,062
Disposals and write offs	(33)	(115)	(148)
31 December 2024	7,865	8,762	16,627
Additions	3,388	4,698	8,086
Disposals and write offs	(824)	–	(824)
31 December 2025	10,429	13,460	23,889
Accumulated amortization			
1 January 2024	2,937	1,764	4,701
Amortisation charge	1,320	348	1,668
Disposals and write offs	(33)	(115)	(148)
31 December 2024	4,224	1,997	6,221
Amortisation charge	1,798	521	2,319
Disposals and write offs	(824)	–	(824)
31 December 2025	5,198	2,518	7,716
Net book value			
1 January 2024	4,048	4,964	9,012
31 December 2024	3,641	6,765	10,406
31 December 2025	5,231	10,942	16,173

12. Other assets and liabilities

Other assets comprise:

	<i>31 December 2025</i>	<i>31 December 2024</i>
Other non-financial assets		
Repossessed assets	46,884	46,623
Prepaid taxes other than income tax	1,011	721
Advances paid	586	660
Inventory	40	84
Other	274	324
	48,795	48,412
Other financial assets		
Accounts receivable	927	732
Other receivables	20	13
Less: allowance for impairment of other assets	(88)	(148)
	859	597
Total other assets	49,654	49,009

(thousands of Georgian lari)

12. Other assets and liabilities (continued)

An analysis of changes in the ECLs for stage 3 other financial assets for the year ended 31 December 2025 and 2024 is as follows:

	Stage 1	Stage 2	Stage 3	Allowance for impairment of other assets
ECL at 1 January 2024	2	–	271	273
ECL charge	5	13	102	120
Payments	(6)	(13)	(186)	(205)
Write-offs	–	–	(40)	(40)
At 31 December 2024	1	–	147	148
Transfers to stage 1	7	–	(7)	–
Transfers to stage 3	(7)	–	7	–
ECL charge	6	–	759	765
Payments	(7)	–	(696)	(703)
Write-offs	–	–	(122)	(122)
At 31 December 2025	–	–	88	88

An analysis of changes in the carrying value of repossessed assets for the year ended 31 December 2025 and 2024:

	2025	2024
Carrying value at the beginning of the year	46,623	91,004
Repossession	2,883	10,172
Assets sold	(2,418)	(55,924)
Reversal/(impairment)	(204)	1,371
Carrying value at the end of the year	46,884	46,623

Repossessed assets as at 31 December 2025 include land and buildings in amount of GEL 44,360 (31 December 2024: GEL 44,068) and movable properties in amounts of GEL 2,524 (31 December 2024: GEL 2,556), which are measured at the lower of their carrying amount and fair value less cost to sell. Gain on sale of repossessed assets during 2025 was GEL 640 (2024: GEL 11,612) (Note 21).

During 2024, a reversal was made concerning the value of repossessed assets due to the recognition of losses from previous years. Impairment of repossessed assets amounted to GEL 204 in 2025 (2024: nil).

For certain repossessed collateral, the Group has granted previous owners—at the date of repossession—the right to repurchase the assets at prices equal to or higher than the loan amount covered by the repossession. This right is typically effective for a period of 6 to 24 months from the repossession date, during which time the repossessed collateral may not be disposed of to third parties. In some cases, an extension of the repurchase right is offered to the former owners of the property.

As at 31 December 2025, the carrying value of the repossessed collaterals subjected to the repurchase agreement was GEL 17,497 (2024: GEL 9,837).

Other liabilities comprise:

	31 December 2025	31 December 2024
Other financial liabilities		
Accounts payable	6,226	5,476
	6,226	5,476
Other non-financial liabilities		
Employee benefits payable	3,408	–
Advances received	2,111	–
Taxes other than income tax	55	770
Other	192	772
	5,766	1,542
Total other liabilities	11,992	7,018

(thousands of Georgian lari)

13. Amounts due to customers

The amounts due to customers include the following:

	<u>2025</u>	<u>2024</u>
Current and demand accounts	638,606	635,146
Time deposits (including certificates of deposit)	718,588	825,716
Amounts due to customers	<u>1,357,194</u>	<u>1,460,862</u>

As at 31 December 2025, amounts due to customers included balances with ten largest customers of GEL 565,038 that constituted 41% of the total of customer accounts (31 December 2024: GEL 733,239 that constituted 50% of the total of customer accounts).

An analysis of customer accounts by economic sector follows:

	<u>2025</u>	<u>2024</u>
Trade and Service	583,642	729,612
Individuals	528,337	543,980
Government Services	111,663	46,850
Construction	26,538	28,341
Manufacturing	17,082	16,199
Transport and communication	2,290	2,223
Agriculture	1,659	2,640
Other	85,983	91,017
Amounts due to customers	<u>1,357,194</u>	<u>1,460,862</u>

As at 31 December 2025 deposits by customers included balances classified in Trade and service and individual sectors amounting to GEL 185,552 (31 December 2024: GEL 192,583), that were frozen on the basis of a court decision dated 11 September 2015.

14. Subordinated debt

All Subordinated loans are obtained from related parties and consist of the following:

<i>Facility provider</i>	<i>Commencement date</i>	<i>Maturity date</i>	<i>Interest rate</i>	<i>Currency</i>	<i>Original contractual value in Original Currency</i>	<i>Carrying value as at 31 December 2025</i>
Fin Service XXI	31–Mar–11	31–Mar–28	5.50%	USD	5,000	13,476
Fin Service XXI	9–Oct–20	Perpetual	5.50%	USD	10,000	11,025
Fin Service XXI	19–Apr–21	Perpetual	5.50%	USD	10,000	19,032
Cartu Group	24–Jun–19	Perpetual	5.50%	USD	7,000	18,883
Inter Consulting Plus	17–Oct–05	17–Oct–27	5.50%	USD	7,000	18,865
						<u>81,281</u>
<i>Facility provider</i>	<i>Commencement date</i>	<i>Maturity date</i>	<i>Interest rate</i>	<i>Currency</i>	<i>Original contractual value in Original Currency</i>	<i>Carrying value as at 31 December 2024</i>
Fin Service XXI	31–Mar–11	31–Mar–28	5.50%	USD	5,000	14,034
Fin Service XXI	9–Oct–20	Perpetual	5.50%	USD	10,000	12,142
Fin Service XXI	19–Apr–21	Perpetual	5.50%	USD	10,000	20,149
Cartu Group	24–Jun–19	Perpetual	5.50%	USD	7,000	19,665
Inter Consulting Plus	17–Oct–05	17–Oct–27	5.50%	USD	7,000	19,648
						<u>85,638</u>

In the event of bankruptcy or liquidation of the Group, repayment of these debts is subordinate to the repayments of the Group's liabilities to all other creditors. All subordinated debts are convertible to common equity. If the coefficient of common Tier 1 capital (CET1) falls below the trigger level, which is the greater of the regulatory requirement of CET1 and 5.125% of CET1, perpetual subordinated debts are converted into common equity.

(thousands of Georgian lari)

14. Subordinated debt (continued)

For long-term subordinated debts, the Group holds the option to convert the debt into common shares at their nominal value. However, the Group also retains the right to fully repay the subordinated debt instead of opting for the conversion into common equity.

The table below details changes in the Group's subordinated debts arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2025	Interest accrual during 2025	Interest paid during 2025	Foreign exchange gain during 2025	31 December 2025
Subordinated debt	85,638	5,882	(5,883)	(4,356)	81,281

The table below details changes in the Group's subordinated debts arising from financing activities during 2024:

	1 January 2024	Interest accrual during 2024	Interest paid during 2024	Foreign exchange gain during 2024	31 December 2024
Subordinated debt	81,058	5,852	(5,851)	4,579	85,638

The principal value of the subordinated loan qualified for the inclusion in the Tier 2 capital under the Basel III requirements, was GEL 9,163 under IFRS 9 (31 December 2024: GEL 16,279). The principal value of the subordinated loan qualified for the inclusion in the additional Tier 1 capital under the Basel III requirements, was GEL 48,922 under IFRS 9 (31 December 2024: GEL 51,938).

15. Taxation

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

	2025	2024
Current tax expense	8,835	8,326
Deferred tax expense/(benefit)	338	291
Income tax expense	9,173	8,617

In 2025 the income tax rate applicable to the Bank's income is 20% (2024: 20%). The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense on statutory rates with actual is as follows:

	2025	2024
Profit before income tax	49,253	44,969
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	9,851	8,994
Tax exempt income	(1,047)	(1,181)
Non-deductible expenses	782	804
Profit of subsidiaries subject to taxation at distribution	(413)	–
Income tax expense	9,173	8,617

Deferred tax liabilities and assets as at 31 December 2025 and 31 December 2024 and their movements for the respective period.

	31 December 2023	Through profit or loss	31 December 2024	Through profit and loss	31 December 2025
Tax effect of temporary differences					
Lease liabilities	1,317	282	1,599	128	1,727
Amounts due from credit institutions	(8)	55	47	5	52
Investment securities	(21)	–	(21)	–	(21)
Amounts due to credit Institutions	(27)	–	(27)	–	(27)
Amounts due to customers	(116)	116	–	–	–
Other Liabilities	(143)	143	–	–	–
Intangible assets	(168)	(100)	(268)	(538)	(806)
Other Assets	(465)	427	(38)	406	368
Property and Equipment	(1,190)	(977)	(2,166)	(245)	(2,412)
Right of use assets	(1,316)	(237)	(1,554)	(94)	(1,648)
Deferred tax (liability)/asset	(2,137)	(291)	(2,428)	(338)	(2,767)

(thousands of Georgian lari)

15. Taxation (continued)

The Group does not recognize deferred tax liability in relation to temporary differences associated with investments in subsidiaries as the Group does not expect reversal of these differences for the foreseeable future. Aggregate taxable temporary difference associated with investments in subsidiaries in respect of which no deferred tax liability was recognized is GEL 7,015 as at 31 December 2025 (2024: GEL 5,070).

16. Equity

As at 31 December 2025 and 2024, authorized, issued and fully paid capital amounted to GEL 114,430 comprising of 114,430,000 common shares with nominal value of GEL 1 each. Each share entitles one vote to the shareholder.

In 2025 and 2024 the Group has not declared or paid any dividends.

As at 31 December 2025 the Bank's retained earnings and other reserves did not include any fair value changes in investment securities (31 December 2024: GEL 53).

Additional paid-in capital represents the difference between a fair value and a nominal amount at initial recognition, and modification, which were deemed non-substantial, of the subordinated loans received from the Parent and entities under common control. The Group transfers the portion of additional paid-in capital associated with the extinguished subordinated debts.

During 2024 the Bank has transferred a portion of its Additional Paid-in-Capital (APIC) GEL 1,918 to retained earnings, following the repayment of corresponding subordinated debt in prior years.

17. Commitments and contingencies

As at 31 December 2025 and 2024, the Group's commitments and contingencies comprised the following:

	<u>2025</u>	<u>2024</u>
Credit related commitments		
Unused credit lines	34,089	42,350
Guarantees issued	163,715	157,000
Letters of credit	6,032	–
	<u>203,836</u>	<u>199,350</u>
Less: ECL for credit related commitments	(404)	(620)
Commitments and contingencies	<u>203,432</u>	<u>198,730</u>

An analysis of changes in the ECL allowances during the year ended 31 December 2025 is as follows:

<i>Undrawn loan commitments</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECLs as at 1 January 2025	390	29	2	421
New exposures	2,718	10	–	2,728
Amounts paid	(2,762)	(43)	–	(2,805)
Foreign exchange adjustments	(151)	–	–	(151)
At 31 December 2025	<u>195</u>	<u>(4)</u>	<u>2</u>	<u>193</u>

An analysis of changes in the ECLs during the year ended 31 December 2024 is as follows:

<i>Undrawn loan commitments</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
ECLs as at 1 January 2024	193	(1)	4	196
New exposures	4,553	70	–	4,623
Amounts paid	(4,417)	(40)	(1)	(4,458)
Foreign exchange adjustments	61	–	(1)	60
At 31 December 2024	<u>390</u>	<u>29</u>	<u>2</u>	<u>421</u>

(thousands of Georgian lari)

18. Credit loss expense and other impairment and provisions

The table below shows the ECL charges/(reversals) on financial instruments recorded in the profit or loss for the year ended 31 December 2025:

	Notes	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	6	47	–	–	–	47
Amounts due from credit institutions	7	(21)	–	–	–	(21)
Loans to customers	8	107	(2,509)	(4,542)	(2)	(6,946)
Debt securities measured at amortised cost	9	190	–	–	–	190
Debt securities measured at FVOCI	9	(7)	–	–	–	(7)
Credit loss charge/(reversal) on interest bearing assets		316	(2,509)	(4,542)	(2)	(6,737)
Other financial assets	13	–	–	–	(554)	(554)
Guarantees	18	15	10	(13)	–	12
Undrawn loan commitments	18	(195)	(33)	–	–	(228)
Charge/(reversal) of other impairment and provisions excluding repossessed assets		(180)	(23)	(13)	(554)	(770)
Impairment of repossessed assets						204
Other impairment and provisions						(566)

The table below shows the ECL charges on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2024:

	Notes	Stage 1	Stage 2	Stage 3	POCI	Total
Cash and cash equivalents	6	12	–	–	–	12
Amounts due from credit institutions	7	13	–	–	–	13
Loans to customers	8	1,315	9,625	1,725	(1)	12,664
Debt securities measured at amortised cost	9	89	–	–	–	89
Debt securities measured at FVOCI	9	(11)	–	–	–	(11)
Credit loss charge/(reversal) on interest bearing assets		1,418	9,625	1,725	(1)	12,767
Other financial assets	13	–	–	–	(85)	(85)
Guarantees	19	134	–	(4)	–	130
Undrawn loan commitments	19	197	30	(2)	–	225
Charge/(reversal) of other impairment and provisions excluding repossessed assets		331	30	(6)	(85)	270
Impairment of repossessed assets	13					(1,371)
Other impairment and provisions						(1,101)

19. Fee and commission income and expense

Fee and commission income and expense comprise:

	2025	2024
Guarantees and letters of credits issued	4,426	4,012
Plastic card operations	3,331	3,065
Settlement operations	1,400	1,392
Cash operations	1,470	481
Documentary operations	55	56
Other	340	151
Fee and commission income	11,022	9,157
Plastic card operations	(5,917)	(4,644)
Documentary operations	(50)	(4)
Settlement operations	(773)	(520)
Other	(440)	(102)
Fee and commission expense	(7,180)	(5,270)

The Bank's revenue from contracts with customers is mostly represented by fee and commission income. As at 31 December 2025 the Bank recognized contract assets related to guarantees with amount of GEL 256 (31 December 2024: GEL 212), which is included in other financial assets (Note 12).

(thousands of Georgian lari)

20. Other income, net

Other income/(expenses), net comprise:

	Note	2025	2024
Net gain on disposal of repossessed assets	12	640	11,612
Gain on disposal of property		19	1,131
Income from operating lease		471	171
Fines and penalties received		14	14
Other (a)		269	236
Total other income, net		1,413	13,164

21. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2025	2024
Salaries	25,072	22,165
Bonuses and other employee benefits	5,691	3,669
Personnel expenses	30,763	25,834
Communication	7,512	6,982
Charity costs*	4,901	5,050
Transportation and business trip expenses	1,512	1,462
Taxes other than income tax	1,063	1,297
Security expenses	1,298	1,234
Professional services	1,227	719
Maintenance and exploitation	788	668
Utilities	469	468
Office supplies	299	265
Deposit insurance fee	353	302
Operating leases	260	240
Membership fees	332	128
Personnel training	202	132
Insurance	77	125
Advertising costs	89	24
Other expenses	2,609	1,555
Other operating expenses	22,991	20,651

* During 2025 the Bank paid GEL 4,800 to the International charity fund Cartu (2024: GEL 4,800) (Note 25).

The average number of the Bank's employees during 2025 was 385, including average 9 top management employees, average 38 middle management employees, and average 338 other full-time employees. and average temporary employees were 8 during 2025. (2024: average number of employees was 367, including average 8 top management employees, average 39 middle management employees, and average 320 other full-time employees, average temporary employees were 15).

Remuneration of the Group's auditor for the years ended 31 December 2025 and 2024 comprises (net of VAT):

	2025	2024
Fees for the audit of the Group's annual financial statements for the year ended 31 December	350	335
Expenditures for other professional service	—	104
Total fees and expenditures	350	439

Fees and expenditures payable to other auditors and audit firms in respect of other professional services comprised GEL 252 (2024: GEL 29).

(thousands of Georgian lari)

22. Risk management

Introduction

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

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

Risk management structure

Supervisory Board

Supervisory Board defines Group's risk appetite in cooperation with CRO and other members of Board of Directors. Board is responsible for the existence of the effective risk management, monitoring and internal controls within Group that corresponds to the risk appetite statement, policies and limits. Along with other functions, the Supervisory board members, together and individually, are responsible for maintaining strong risk culture that is necessary for business continuity within organization.

Risk Committee

Risk committee is responsible for reviewing effectiveness of risk strategies as on aggregate level, so on individual level, evaluates compliance with risk appetite and give recommendations to Supervisory Board. This committee also reviews all risk management related policies. Risk committee is comprised of three members, out of which two are independent.

Board of Directors

The Board of Directors is responsible for the implementing and maintaining of risk strategies and corresponding risk management processes. The Board of Directors is ultimately responsible for identifying and controlling risks and different departments and committees which are responsible for managing and monitoring risks.

Risk management

The Risk Management Department is responsible for implementing and maintaining risk management framework.

Asset and Liability Committee

Asset and Liability Committee (ALCO) is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding, liquidity, interest rate, and capital adequacy risks of the Group.

Internal Audit

Risk management processes throughout the Group are audited by the internal audit function on a constant basis, which examines the adequacy of the procedures, their design and operational effectiveness, and the Group's compliance both with the regulatory requirements and internal procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Audit Committee

The Audit Committee is responsible for the fundamental risk issues and manages and monitors relevant risk decisions and performance of control functions by other departments in the Group pertaining to general control environment, manual, IT dependent or application controls, intentional or unintentional misstatement risks, risk of fraud or misappropriation of assets, information security, anti-money laundering, etc. Audit committee is comprised of three members, out of which two are independent.

Risk measurement and reporting systems

Risk monitoring and controlling is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept. In addition the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risk types and activities. The main body to which the risks are reported is a risk committee. The respective meetings are held once per quarter.

(thousands of Georgian lari)

22. Risk management (continued)

Credit risk

Credit risk is the risk that the Group will incur a loss because its borrowers or counterparties will fail to fulfil their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Actual exposure per borrower against limits is monitored on loans granted. The Credit Committee may initiate a change in the limits. Where appropriate, the Group obtains collateral and corporate guarantees. The credit risks are monitored on a continuous basis and are subject to annual or more frequent reviews.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of guarantee. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

Impairment assessment

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

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

The ECL allowance is based on the 12 months' expected credit loss (12mECL), unless there has been significant increase in credit risk since origination or other impairment indicators were identified, in which case the ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group 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 Group groups its loans into Stage 1, Stage 2, Stage 3 and POCI, as described below:

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

(thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

Definition of default and cure

The Group considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments or credit risk score of the borrower increases to the “high risk” category according to the internal credit risk assessment methodology. The Group considers amounts due from Banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Group also considers a variety of instances that may indicate unlikelihood to pay. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

The Group has defined certain criteria which should be met in order to consider asset as cured. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

PD model

To determine the PD rates for each group, the Group utilizes migration matrices based on “Markov chain” model. At the beginning of analysing 12-month period borrowers in each pool are grouped in 11 buckets by overdue days and classification based on former NBS asset classification rule. The analysis is conducted on every 12-month period from December 2014 to the reporting date. The final PD used in the model represents the weighted average of the historical 12-month period PDs.

During the reporting period, the Bank developed and implemented a macroeconomic regression model to assess the impact of forward-looking information on the Bank’s NPL ratio and related PD parameters. The model is estimated using Ordinary Least Squares (OLS) method and incorporates lagged NPL dynamics together with selected macroeconomic indicators (GEL/USD exchange rate, FED rate, ECB rate), all expressed in 12-month changes. As a result, forward-looking macroeconomic effects have been incorporated into the Bank’s collective ECL assessment through PD component.

As at 31 December 2025, 10% increase in average PD per each pool results in total ECL increase by 4.01% that represents GEL 1,270 and 10% decrease in average PD per each pool results in total ECL decrease by 5.12% that represents GEL 1,623 (31 December 2024: 10% increase in average PD per each pool results in total ECL increase by 2.29% that represents GEL 1,316 and 10% decrease in average PD per each pool results in total ECL decrease by 3.16% that represents GEL 1,814).

LGD model

Another component of impairment model is LGD (loss given default), that is an estimate of the loss arising on default. To measure it, defaulted exposures by segments is reduced by deposits pledged and the discounted liquidation value

LGD model (continued)

of properties pledged using 2.5 years of time to collect period and valuation haircut. Impact of LGD is very material and ECL of the Group is heavily depended on the value of collateral.

As at 31 December 2025, 10% increase in valuation haircut results in ECL increase by 3.69% that represents GEL 1,171 and 10% decrease in valuation haircut results in ECL decrease by 3.23% that represents GEL 1,023 (31 December 2024: 10% increase in valuation haircut results in ECL increase by 2.22% that represents GEL 1,267 and 10% decrease in valuation haircut results in ECL decrease by 2.1% that represents GEL 1,210).

As at 31 December 2025, 10% (three month) increase in time to collect period results in ECL increase by 4.55% that represents GEL 1,442 and 10% (three month) decrease in time to collect period results in ECL decrease by 4.25% that represents GEL 1,349 (31 December 2024: 10% (three month) increase in time to collect period results in ECL increase by 3.44% that represents GEL 1,978 and 10% (three month) decrease in time to collect period results in ECL decrease by 3.29% that represents GEL 1,892).

EAD model

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client’s ability to increase its exposure while approaching default and potential early repayments too. For Stage 1, Stage 3, and POCI financial assets, the current outstanding amount is used as the Exposure at Default (EAD). For Stage 2 financial assets, the EAD is calculated over the lifetime of the instruments, taking into account expected future payments.

(thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition.

The Group also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming restructured due to credit event. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

The Group writes off a financial instrument if the following conditions are met simultaneously:

- ▶ The financial instrument is classified as stage 3 or POCI;
- ▶ There is no physical collateral, the collateral is legally unenforceable, or the market value of the collateral is insignificant compared to the loan (LTV > 15);
- ▶ In the case of a business loan, 90 days have passed since the borrower's last payment on the loan, and in the case of a retail loan, 180 days have passed since the borrower's last payment.

Treasury and interbank relationships, investment securities measured at amortized cost

The Group's treasury and interbank relationships and counterparties comprise financial services institutions, banks. For these relationships, the Bank's risk management department analyses publicly available information such as financial information and other external data, e.g., the external ratings assigned by international rating agencies. The Group's investment securities measured at amortized cost include T-bills, T-Notes, and corporate bonds. The T-bills and T-notes are issued by the Ministry of Finance of Georgia, thus credit rating of the country is used in estimation of the ECLs for these instruments. The ECL estimation for corporate bonds is based on the assigned credit ratings by international credit agencies.

Corporate lending

For corporate loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment takes into account various historical, current and forward-looking information such as:

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

Retail lending

For retail loans, the borrowers are assessed by specialised credit risk employees of the Group. The credit risk assessment takes into account various historical, current and forward-looking information such as:

- ▶ Historical financial information together with forecasted monthly cash flows. This financial information includes realised and expected results, and any other relevant ratios (i.e. PTI, LGD) to measure the client's financial performance;
- ▶ Any publicly available information on the clients from external parties;
- ▶ Any other objectively supportable information on the abilities of the client to generate future cash flows.

(thousands of Georgian lari)

22. Risk management (continued)**Credit risk (continued)***Grouping financial assets measured on a collective basis*

Dependent on the factors below, the Group calculates ECLs either on a collective or on an individual basis.

Asset classes where the Group calculates ECL on an individual basis include stage 1 exposures that exceeds 1% of Tier 1 capital, and stage 2, stage 3 and POCI exposures that exceeds 0.5% of Tier 1 capital.

The Bank calculates ECL on a collective basis for all asset classes. For assets that have already been individually assessed, a comparison is made between the collective and individual approaches, and the higher of the two Expected Credit Loss (ECL) amounts is recognized.

The Group groups these exposures into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the loans, for example overdue bucket, product type, or borrower's industry.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. The group employs a rigorous methodology to evaluate the concentration of the largest borrowers, taking into account both the specific group and industry in which they operate.

Forward-looking information and multiple economic scenarios

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

- ▶ GDP growth;
- ▶ Inflation rate;
- ▶ GEL/USD foreign exchange rate change.

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group obtains the forward-looking information from the sources published by the NBG and GeoStat. The tables show the values of the key forward looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations. The figures for "Subsequent years" represent a long-term average and so are the same for each scenario as at 31 December 2026.

Key drivers	ECL scenario	Assigned probabilities, %	2026	2027	2028	Subsequent years
GDP growth, %	Upside	25%	6.00%	5.50%	5.00%	5.00%
	Base case	50%	4.90%	5.10%	5.00%	5.00%
	Downside	25%	2.00%	4.00%	5.00%	5.00%
USD/GEL exchange rate	Upside	25%	2.64	2.64	2.64	2.64
	Base case	50%	2.70	2.70	2.70	2.70
	Downside	25%	3.10	3.25	3.42	3.42
Inflation rate, %	Upside	25%	3.00%	2.50%	3.00%	3.00%
	Base case	50%	3.50%	2.80%	3.00%	3.00%
	Downside	25%	8.00%	5.50%	3.00%	3.00%

(thousands of Georgian lari)

22. Risk management (continued)**Credit risk (continued)**

Key drivers	ECL scenario	Assigned probabilities, %	2025	2026	2027	Subsequent years
GDP growth, %	Upside	25%	7.00%	6.00%	6.00%	6.00%
	Base case	50%	4.90%	5.80%	5.70%	5.70%
	Downside	25%	2.00%	3.00%	5.00%	5.00%
USD/GEL exchange rate	Upside	25%	2.75	2.75	2.75	2.75
	Base case	50%	2.81	2.81	2.81	2.81
	Downside	25%	3.23	3.39	3.56	3.56
Inflation rate, %	Upside	25%	3.00%	3.00%	3.00%	3.00%
	Base case	50%	2.90%	3.60%	2.70%	2.70%
	Downside	25%	8.00%	5.00%	3.00%	3.00%

Predicted relationship between the economic indicators and default and loss rates on loan portfolios have been developed based on analysing historical data over the past 8 years. Based on the Group's macro-economic model, there is no significant dependency between macro-economic variables and loan portfolio quality.

Credit quality per class of financial asset

The following table shows internal and external grades used in ECL calculation and also the link between internal grades and credit quality categories disclosed in below tables:

	Internal grade
High grade	1
	2
	3
Standard grade	4
Sub-standard grade	5
Impaired	6

The table below shows the credit quality by class of financial assets as at 31 December 2025:

31 December 2025	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	5	Stage 1	341,283	–	–	–	341,283
Amounts due from credit institutions	6	Stage 1	263,023	–	–	–	263,023
Loans to customers at amortised cost	7	Stage 1	151,104	778,229	–	–	929,333
		Stage 2	–	–	122,161	–	122,161
		Stage 3	–	–	–	84,951	84,951
		POCI	–	–	549	470	1,019
Corporate lending		Stage 1	613	40,634	–	–	41,247
		Stage 2	–	–	1,164	–	1,164
Loans to individuals		Stage 3	–	–	–	2,306	2,306
Debt investment securities – measured at amortised cost	8	Stage 1	23,943	53,171	–	–	77,114
		Stage 1	26	604	–	–	630
		Stage 2	–	–	10	–	10
Other financial assets	12	Stage 3	–	–	–	307	307
		Stage 1	9,876	24,206	–	–	34,082
		Stage 2	–	–	6	–	6
Undrawn loan commitments	17	Stage 3	–	–	–	1	1
Letters of Credit	17	Stage 1	–	6,032	–	–	6,032
		Stage 1	25,671	132,198	–	–	157,869
Guarantees		Stage 2	–	–	5,846	–	5,846
Total			815,539	1,035,074	129,736	88,035	2,068,384

(thousands of Georgian lari)

22. Risk management (continued)**Credit risk (continued)**

The table below shows the credit quality by class of financial assets as at 31 December 2024:

31 December 2024	Note		High grade	Standard grade	Sub-standard grade	Impaired	Total
Cash and cash equivalents, except for cash on hand	5	Stage 1	403,725	–	–	–	403,725
Amounts due from credit institutions	6	Stage 1	353,021	–	–	–	353,021
Loans to customers at amortised cost	7	Stage 1	331,312	475,873	–	–	807,185
		Stage 2	–	350	140,575	–	140,925
		Stage 3	–	–	–	141,568	141,568
Corporate lending		POCI	–	–	706	571	1,277
		Stage 1	2,195	30,992	–	–	33,187
		Stage 2	–	–	1,634	–	1,634
Loans to individuals		Stage 3	–	104	–	1,796	1,900
Debt investment securities – measured at amortised cost	8	Stage 1	21,943	39,244	–	–	61,187
Debt investment securities – measured at FVOCI	8	Stage 1	7,101	–	–	–	7,101
	12	Stage 1	19	433	–	–	452
		Stage 2	–	–	12	–	12
Other financial assets		Stage 3	–	–	–	281	281
	17	Stage 1	18,652	23,556	–	–	42,208
		Stage 2	–	–	141	–	141
Undrawn loan commitments		Stage 3	–	–	–	1	1
	17	Stage 1	30,348	123,750	–	–	154,098
		Stage 2	–	–	–	–	–
Guarantees		Stage 3	–	–	–	2,902	2,902
Total			<u>1,168,316</u>	<u>694,302</u>	<u>143,068</u>	<u>147,119</u>	<u>2,152,805</u>

See Note 7 for more detailed information with respect to the allowance for impairment of loans to customers.

Guarantees, letters of credit and loan commitments are assessed and a provision for expected credit losses is calculated in similar manner as for loans.

(thousands of Georgian lari)

22. Risk management (continued)**Credit risk (continued)**

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

	Note	2025				2024			
		Georgia	OECD	Other Non-OECD	Total	Georgia	OECD	Other Non-OECD	Total
Assets									
Cash and cash equivalents	5	308,818	59,429	6,062	374,309	413,264	18,828	6,376	438,468
Amounts due from credit institutions	6	259,820	3,009	142	262,971	349,784	3,021	143	352,948
Loans to customers	7	1,076,011	35,535	36,855	1,148,401	1,040,959	2,595	24,605	1,068,159
Investment securities	8	76,561	–	–	76,561	67,917	–	–	67,917
Other financial assets	12	859	–	–	859	597	–	–	597
		1,722,069	97,973	43,059	1,863,101	1,872,521	24,444	31,124	1,928,089
Liabilities									
Amounts due to credit institutions		96	–	–	96	9	–	–	9
Amounts due to customers	13	943,442	18,065	395,687	1,357,194	1,059,204	18,615	383,043	1,460,862
Lease liabilities	10	9,028	–	–	9,028	8,488	–	–	8,488
Other financial liabilities	12	6,226	–	–	6,226	5,476	–	–	5,476
Subordinated debt	14	81,281	–	–	81,281	85,638	–	–	85,638
		1,040,073	18,065	395,687	1,453,825	1,158,815	18,615	383,043	1,560,473
Net assets/ (liabilities)		681,996	79,908	(352,628)	409,276	713,706	5,829	(351,919)	367,616

(thousands of Georgian lari)

22. Risk management (continued)

Credit risk (continued)

The risk of the insurance contract is the risk of occurrence of the insurance claim, which includes the risks of the volume and the risks of reporting period. The Group's main risk in this case is that the amount of the actual loss and insurance amount may exceed the carrying amount of the insurance liabilities. This is due of the fact that the frequency of losses and their volume may be larger than the initially estimated liability of losses.

In order to neutralize risks, the Group diversifies the portfolio of insurance contracts, thereby reducing the risk of the impact of non-recurring negative consequences on the portfolio. Neutralization of the Risks are also possible by carefully selecting and implementing an underwriting strategy, as well as by using reinsurance contracts. As part of underwriting, portfolio sensitivity analysis is carried out, which is significantly influenced by the loss rate of policies. Taking into consideration, the company establishes underwriting directives and restrictions in order to determine what kind of risks and restrictions can be accepted. Monitoring of the above-mentioned restrictions is implemented continuously.

Implemented insurance by the Group includes medicine, life, property, cargo, road and air transportation vehicles, insurance against accidents, traveling, legal responsibility or caused to third party insurance. In general, these types of insurances have 12-month duration.

The Group also uses a loss management and adjustment policy to reduce the negative impact of future non-recurring events on its activities and limits the level of risk by setting maximum loss limits for certain contracts, as well as using reinsurance mechanisms to reduce the risk associated with catastrophic events.

The management of the Group believes that due to the short-term nature of the business, the insurance portfolio is primarily sensitive to expected loss ratio volatility. The actual profit loss ratio of the company is considered along with other factors in the formation of insurance tariff in the future.

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

On a monthly basis, the Assets and Liabilities Committee ("ALCO") controls liquidity risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The liquidity position is assessed and managed by the Group primarily on a standalone basis, based on certain liquidity ratios established by the NBG including Liquidity Coverage Ratio and Net Stable Funding Ratio. The Liquidity Coverage Ratio is calculated for GEL as well as the Foreign Currency and for both, total amount. The minimum required rates are as following: GEL requirement is at least 75% or more, for USD the minimum required rate equals to 100% and the same is for the total ratio. As of 31 December, the LCR ratios were as following:

	2025, %			2024, %		
	GEL	FC	Total	GEL	FC	Total
Liquidity Coverage Ratio (Total Liquid Assets / Net Cashflow)	193%	142%	150%	148%	184%	178%

The Net Stable Funding Ratio is measuring Group's available stable funding and required stable funding. The minimum requirement for the ratio despite the currency equals to 100%. As of 31 December, the NSFR ratios were as following:

By the end of the financial year 2025 the ratio was as following:

	2025, %	2024, %
Net Stable Funding Ratio (NSFR) (Available Stable Funding / Required Stable Funding)	160%	183%

(thousands of Georgian lari)

22. Risk management (continued)**Liquidity risk and funding management (continued)***Analysis of financial liabilities by remaining contractual maturities*

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

Moreover, the table does not reflect cash flows for perpetual subordinated debts with the balance of GEL 48,939 as of 31 December 2025 (31 December 2024: GEL 51,956) and with the principal amount of GEL 48,922 amount 31 December 2025 (31 December 2024: GEL 51,938) (Note 15). The cash flow on these instruments is expected to be solely interest payments paid monthly. Interest payments during 2025 were GEL 4,072 (2024: GEL 4,051).

As at 31 December 2025	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Amounts due to credit institutions	96	–	–	–	96
Amounts due to customers	595,356	411,505	334,503	74,456	1,415,820
Lease liabilities	648	1,871	7,666	1,218	11,403
Other financial liabilities	6,226	–	–	–	6,226
Subordinated debt	445	1,334	34,046	–	35,825
Total undiscounted financial liabilities	602,771	414,710	376,215	75,674	1,469,370

As at 31 December 2024	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial liabilities					
Amounts due to credit institutions	9	–	–	–	9
Amounts due to customers	539,539	592,838	357,843	3,779	1,493,999
Lease liabilities	621	1,723	7,584	714	10,642
Other financial liabilities	5,476	–	–	–	5,476
Subordinated debt	463	1,389	37,309	–	39,161
Total undiscounted financial liabilities	546,108	595,950	402,736	4,493	1,549,287

The table below shows the contractual expiry by maturity of the Group's financial commitments and contingencies. Each undrawn loan commitment, guarantees and letters of credit can be drawn down in less than 3 months period.

	Note	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2025	17	51,677	21,018	122,458	8,683	203,836
2024	17	60,650	28,767	109,753	180	199,350

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments. The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the table above. These balances are included in amounts due in less than three months in the tables above.

(thousands of Georgian lari)

22. Risk management (continued)**Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has set limits on positions by currency based on the NBG regulations. Positions are monitored on a daily basis.

The tables below indicate the currencies to which the Group had significant exposure at 31 December on its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the GEL, with all other variables held constant on the statement of profit or loss. The effect on equity does not differ from the effect on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss or equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate 2025	Effect on profit before tax 2025	Change in currency rate 2024	Effect on profit before tax 2024
USD	20%/(20%)	2,256/(2,256)	20%/(20%)	879/(879)
EUR	20%/(20%)	30/(30)	20%/(20%)	407/(407)

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected.

The effect on profit before tax for one year assuming 10% of repayable financial instruments were to prepay at the beginning of the year, with all other variables held constant, is as follows:

	Decrease of net interest income
2025	10,931
2024	10,634

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's statement of profit or loss.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December.

Currency	Increase/(decrease) in basis points 2025	Sensitivity of net interest income 2025
GEL	100/(100)	3,781/(3,781)
EUR	100/(100)	587/(587)
USD	100/(100)	2,444/(2,444)

Currency	Increase/(decrease) in basis points 2024	Sensitivity of net interest income 2024
GEL	100/(100)	2,965/(2,965)
EUR	100/(100)	373/(373)
USD	100/(100)	2,451/(2,451)

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 Group cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

(thousands of Georgian lari)

23. Fair value measurements**Fair value hierarchy**

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

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value or for which fair values are disclosed by level of the fair value hierarchy:

At 31 December 2025	Fair value measurement using			Total
	Level 1	Level 2	Level 3	
Assets for which fair values are disclosed				
Loans to customers	–	–	1,143,553	1,143,553
Investment securities at amortized cost	–	76,759	–	76,759
Assets measured at fair value				
Investment securities at FVOCI – equity security	–	–	176	176
Fair value measurement using				
At 31 December 2025	Level 1	Level 2	Level 3	Total
Liabilities for which fair values are disclosed				
Amounts due to customers	–	639,014	730,324	1,369,338
Subordinated debt	–	–	72,189	72,189
Fair value measurement using				
At 31 December 2024	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Loans to customers	–	–	1,099,020	1,099,020
Investment securities at amortized cost	–	61,085	–	61,085
Assets measured at fair value				
Investment securities at FVOCI – equity security	–	–	168	168
Investment securities at FVOCI – debt security	–	7,101	–	7,101
Fair value measurement using				
At 31 December 2024	Level 1	Level 2	Level 3	Total
Liabilities for which fair values are disclosed				
Amounts due to customers	–	635,166	830,804	1,465,970
Subordinated debt	–	–	65,360	65,360

(thousands of Georgian lari)

23. Fair value measurements (continued)**Fair value of financial assets and liabilities not carried at fair value**

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

	<i>Carrying value 2025</i>	<i>Fair value 2025</i>	<i>Unrecognised gain/(loss) 2025</i>	<i>Carrying value 2024</i>	<i>Fair value 2024</i>	<i>Unrecognised gain/(loss) 2024</i>
Financial assets						
Cash and cash equivalents	374,309	374,309	–	438,468	438,468	–
Amounts due from credit institutions	262,971	262,971	–	352,948	352,948	–
Loans to customers	1,148,401	1,143,553	(4,848)	1,068,159	1,099,020	30,861
Investment securities	76,385	76,759	374	60,648	61,085	437
Other financial assets	859	859	–	597	597	–
Financial liabilities						
Amounts due to credit institutions	96	96	–	9	9	–
Amounts due to customers	1,357,194	1,369,338	(12,144)	1,460,862	1,465,970	(5,108)
Other financial liabilities	6,226	6,226	–	5,476	5,476	–
Subordinated debt	81,281	72,189	9,092	85,638	65,360	20,278
Total unrecognised change in fair value			(7,526)			46,468

Valuation techniques and assumptions

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

Assets for which fair value approximates carrying value

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

Financial assets and financial liabilities carried at amortised cost

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

Financial Assets and financial liabilities measured at fair value

Assets measured at fair value through other comprehensive income include Treasury notes issued by the Ministry of Finance of Georgia. The valuation technique used is Discounted Cash Flows (DCF), with input parameters based on government bond zero-coupon yield curves.

(thousands of Georgian lari)

24. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 22 "Risk management" for the Group's contractual undiscounted repayment obligations.

	2025			2024		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Cash and cash equivalents	374,309	–	374,309	438,468	–	438,468
Amounts due from credit institutions	258,577	4,394	262,971	349,293	3,655	352,948
Loans to customers	567,569	580,832	1,148,401	565,544	502,615	1,068,159
Investment securities	26,937	49,624	76,561	15,003	52,914	67,917
Property and equipment	–	15,029	15,029	–	14,125	14,125
Right of use assets	–	8,580	8,580	–	8,229	8,229
Intangible assets	–	16,173	16,173	–	10,406	10,406
Income Tax Asset	5,726	–	5,726	10,399	–	10,399
Reinsurance contract assets	5,282	–	5,282	2,766	–	2,766
Other assets	6,551	43,103	49,654	13,798	35,211	49,009
Total	1,244,951	717,735	1,962,686	1,395,271	627,155	2,022,426
Amounts due to credit institutions	96	–	96	9	–	9
Amounts due to customers	991,094	366,100	1,357,194	1,115,904	344,958	1,460,862
Provisions	172	232	404	383	237	620
Deferred income tax liability	–	2,767	2,767	–	2,429	2,429
Lease liabilities	1,758	7,270	9,028	1,547	6,941	8,488
Subordinated debt	17	81,264	81,281	18	85,620	85,638
Insurance contract liabilities	6,796	–	6,796	3,836	–	3,836
Reinsurance contract liabilities	–	–	–	425	–	425
Other liabilities	11,992	–	11,992	7,018	–	7,018
Total	1,011,925	457,633	1,469,558	1,129,140	440,185	1,569,325
Net	233,026	260,102	493,128	266,131	186,970	453,101

(thousands of Georgian lari)

25. Related party disclosures

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

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

The outstanding balances of related party transactions are as follows:

	2025			
	The Parent	Entities under common control	Other relate parties	Key management personnel
Loans to customers, gross	21,410	22,773	39,181	738
(Allowance for expected credit losses)	(77)	(82)	(142)	(1)
Amounts due to customers	(594)	(23,540)	(44,907)	(4,523)
Insurance contract liabilities	–	–	(3,055)	–
Other assets	–	–	178	–
Subordinated debt (Note 14)	–	(81,281)	–	–
Commitments and guarantees issued*	–	(355)	–	–
Lease liabilities	–	(6,118)	(393)	–
	2024			
	The Parent	Entities under common control	Other related parties	Key management personnel
Loans to customers, gross	–	21,103	52,052	408
(Allowance for expected credit losses)	–	(47)	(115)	–
Amounts due to customers	(1,644)	(32,197)	(65,858)	(383)
Insurance contract liabilities	–	–	(2,892)	–
Other assets	–	–	178	–
Subordinated debt (Note 14)	–	(85,638)	–	–
Commitments and guarantees issued*	–	(237)	(34)	–
Lease liabilities	–	(6,314)	(492)	–

*The commitments and guarantees issued are presented on a net basis, after deducting the Expected Credit Loss (ECL) for credit-related commitments

As of 31 December 2025, 82% (2024: 82%) of amounts due to customers of other related parties included current accounts of 5 major related parties.

Maturity and the interest rate range of amounts due to customers of other related parties is 0–17 years and 0%–10.7%, respectively as of 31 December 2025 (2024: 0–17 years and 0%– 11.3%). Maturity and the interest rate range of loans to customers is 2 months to 10 years and 7.5 %– 12.5%, respectively as of 31 December 2025 (2024: 4 months to 10 years and 7.5%– 12.5%).

As at 31 December 2025 and 2024 all outstanding loans and commitments are fully collateralized by real estate, cash deposits or other types of collateral. These transactions are conducted in accordance with NBG Regulation which requires that all such transactions are carried out on an arm's length basis and follow standard risk monitoring and mitigation procedures.

The Expected Credit Loss (ECL) related to the amount of outstanding balances as at 31 December 2025 and 2024 was GEL 294 and GEL 162 respectively. The expense recognized during the period in respect of expected credit losses due from related parties was GEL 132 (2024: GEL 924).

(thousands of Georgian lari)

25. Related party disclosures (continued)

The income and expense arising from related party transactions are as follows:

	2025				2024			
	The Parent	Entities under common control	Other related parties	Key management personnel	The Parent	Entities under common control	Other related parties	Key management personnel
Interest income on loans to customers	1,497	1,743	3,647	54	–	1,850	4,272	47
Interest expense on amounts due to customers	–	(967)	(811)	(7)	–	(126)	(2,376)	(2)
Interest expense on subordinated debt	–	(5,882)	–	–	–	(5,852)	–	–
Charity and sponsorship	(4,800)	–	–	–	(4,800)	–	–	–
Insurance revenue	–	–	2,051	–	–	–	1,519	–
Insurance service expenses	–	–	(244)	–	–	–	(310)	–
Fee and commission income	9	122	745	4	9	113	170	1
Fee and commission expense	–	–	–	–	–	(3)	(7)	–
Other income	–	–	135	–	–	–	123	–
Other expenses	–	(4)	(176)	–	–	–	(220)	–
Interest expense on lease liabilities	–	(601)	–	–	–	(550)	–	–

Compensation of key management personnel was comprised of the following:

	2025	2024
Salaries and other short-term benefits	2,955	3,273

Key management personnel as at 31 December 2025 and 2024 comprised of 11, respectively and includes members of the Group's Supervisory board, Board of Directors and other key executives of the Group.

26. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the NBG in supervising the Group.

During the year ended 31 December 2025, the Bank and the Group complied in full with all its externally imposed capital requirements.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements set by the NBG and that Group maintains healthy capital ratios in order to support its business and maximize shareholders' value.

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

NBG capital adequacy ratio

Regulatory capital consists of Common Tier 1 capital, which comprises common shares, reserve fund and retained earnings less amount of asset revaluation reserve transferred to authorized capital, and intangible assets. The other component of regulatory capital is Additional Tier 1 capital, which includes perpetual subordinated debts and Tier 2 capital, which includes subordinated long-term debt.

In December 2017, the NBG adopted amendments to the regulations introduced amendment relating to capital adequacy requirements, including amendments to the regulation on capital adequacy requirements for commercial banks, and introduced new requirements on the determination of the countercyclical buffer rate, on the identification of systematically important banks, on determining systemic buffer requirements and on additional capital buffer requirements for commercial banks within Pillar II.

As at 31 December 2025 the NBG requires the Bank to maintain a minimum Total regulatory capital adequacy ratio, Tier 1 capital adequacy ratio and Common equity Tier 1 Capital Adequacy Ratio of 24.33%, 19.92%, and 16.60% respectively, calculated using IFRS. (December 2024: Minimum regulatory capital adequacy ratio, Tier 1 capital coefficient and common Tier 1 coefficient of 24.12%, 19.71%, and 16.37%, respectively).

*(thousands of Georgian lari)***26. Capital adequacy (continued)**

	<u>31 December 2025</u>	<u>31 December 2024</u>
Common Equity Tier 1 Capital	444,638	412,587
Additional Tier 1 Capital	72,768	75,784
Tier 1 Capital	<u>517,406</u>	<u>488,371</u>
subordinated debt	9,163	16,279
General Loan Loss Provisions (up to 1.25% of Risk-Weighted Assets)	-	-
Tier 2 Capital	<u>9,163</u>	<u>16,279</u>
Total Regulatory Capital*	<u>526,569</u>	<u>504,650</u>
Risk Weighted Assets*	<u>1,894,965</u>	<u>1,914,280</u>
Common Equity Tier 1 Capital Adequacy Ratio *	23,46%	21,55%
Tier 1 Capital Adequacy Ratio *	<u>27,30%</u>	<u>25,51%</u>
Total Regulatory Capital Adequacy Ratio *	<u>27,79%</u>	<u>26,36%</u>

**Capital Ratios and Risk weighted assets are not audited figures*

During the years ended 31 December 2025 and 2024 the Bank complied in full with all of its externally imposed capital requirements.